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White House Said to Warn Fed

Officials Worry Current Monetary Policy Risks Recession

By Paul Blustein and John M. Berry
Washington Post Service
WASHINGTON — Top Reagan administration officials, dismissing appeals from U.S. allies for higher interest rates to buoy the dollar, have instead voiced concern to the Federal Reserve that monetary policy may be so tight already that it risks a recession, according to administration and Fed sources.

The administration warnings have been private and mild compared with some past clashes between the White House and the central bank. But the development reflects the nervousness that senior Reagan advisers feel about the prospect of rising interest rates and a softening economy in the coming election year.

The administration's position also underscores its unwillingness to see the Fed raise interest rates to boost the dollar, even though the currency has been sliding to record

postwar lows against Japan's yen and West Germany's Deutsche mark. Some policy makers in allied governments have been privately and publicly urging the United States to raise interest rates to support the dollar, whose decline has made their nations' products more expensive in world markets.

The Federal Reserve supported the dollar in currency markets in late October. Page 13.



Palestinians Arrested in 5th Day of Gaza Violence

Two of the Palestinians arrested Sunday during a raid on the Mughazi refugee camp in the Gaza Strip were guarded by Israeli soldiers. During the fifth straight day of violence in the occupied territories of the West Bank and the Gaza Strip, 20 Palestinians were wounded by gunfire from Israeli troops, Arab sources said.

U.S. Says It Awaits Results

Caution Urged In Aftermath Of the Summit

WASHINGTON — Reagan administration officials mixed confidence with caution Sunday, predicting progress on arms control but warning that it is premature to express euphoria over the Washington summit meeting.

The U.S. secretary of state has rejected the idea of a Nordic nuclear free zone. Page 5.

Gorbachev last week was an "important psychological point" in the arms race because it marked an agreement to destroy weapons.

Kiosk

Tehran Delays OPEC Accord

A draft agreement to defend OPEC's \$18-a-barrel oil price next year ran into trouble Sunday because of a dispute between groups led by Saudi Arabia and Iran, which wants higher prices, delegates said at the cartel's meeting in Vienna.

As Required, Reagan and Gorbachev Made Summit a Success

By David Hoffman and Don Oberdorfer
Washington Post Service
WASHINGTON — In the soft elegance of the White House library, President Ronald Reagan was waiting impatiently for the words. Just a few minutes remained in the three-day summit meeting with Mikhail S. Gorbachev, but first they had to approve the final language on the issue Mr. Reagan held so dear, his dream to build a defense against nuclear missiles.

As Required, Reagan and Gorbachev Made Summit a Success

Only 14 months before, Mr. Reagan and Mr. Gorbachev had argued and eventually stumbled into bitter recriminations over just one word, "laboratory." In the final moments at the 1986 Reykjavik summit meeting, the Soviet leader wanted to bottle up Mr. Reagan's missile defense system, the Strategic Defense Initiative, in the laboratory, and Mr. Reagan walked out.

As Required, Reagan and Gorbachev Made Summit a Success

Just three days earlier, on the day Mr. Gorbachev arrived, Mr. Reagan had approved a secret directive setting forth much broader negotiating objectives on space defense than he was able to achieve in the meetings with Mr. Gorbachev. By the same token, Mr. Gorbachev was unable to obtain his goal of putting limits on the U.S. anti-missile program.

MONDAY Q&A

Der Geachtete

Martens Heads For Defeat in Belgian Poll

BRUSSELS — Prime Minister Wilfried Martens appeared to be heading for defeat in general elections Sunday after leading Belgium through six years of economic austerity.

Sandinist Military Chief Outlines Major Buildup

By William Branigan
Washington Post Service
MANAGUA — The Sandinist government is engaged in a long-term military buildup aimed at purging up to 600,000 Nicaraguans under arms by 1995 and equipping the Sandinist armed forces with advanced Soviet-made MiG fighter planes, missiles and artillery.

Sandinist Military Chief Outlines Major Buildup

Mr. Ortega, in his extemporaneous speech, gave even higher figures for projected Sandinist armed strength.

Special Report

When the U.S. trade deficit was announced last week, there were gasps at the trading desks. Personal Investing. Page 7.

Iran Is Said to Use New Device to Set Tankers Afire

DUBAI — Iran is using a new device to set fire to tankers in the Gulf, shipping sources said Sunday.

Iran Is Said to Use New Device to Set Tankers Afire

"We suspect a new projectile," the agent said, "some kind of incendiary with phosphorus perhaps, which turns the ships into torches."

No Breakthrough Toys For Europe This Year

By Kurt Ruderman
International Herald Tribune
PARIS — What are the smash-hit toys that Santa Claus will be handing out this year?

North Pole East: The Real Story In Hong Kong, No Reindeer or Snow but Much Green Tea

By Patrick L. Smith
International Herald Tribune
HONG KONG — Here's a true-life look at Santa's workshops for those who've graduated from rompers. One of them is a 15th-floor factory in the congested Kowloon industrial district, where the ventilation is not good and even the streets reek of noxious petrochemical fumes.

North Pole East: The Real Story In Hong Kong, No Reindeer or Snow but Much Green Tea

Another is down a dirt road in Shenzhen, a Chinese special economic zone bordering Hong Kong. The work gets done and the orders are met — most of the time — despite spotty electricity supplies, poor telephone service and a distinct shortage of reindeer.

No Breakthrough Toys For Europe This Year

It has not been that way in recent Christmas past. Parents and toy-sellers can recall youngsters screaming for such hits as pocket-size computer games, Cabbage Patch dolls and robots transformable into, say, rockets.

Two broad toy types dominate the market. One is the television-related item, produced mostly by U.S. and Asian companies. The other is the Europe-created toy that requires children to add their fantasies and imagination to the play-time experience.



Two youngsters discuss toy prospects in a French shop.

The Waldheim Controversy: All Solutions Are Bad

President Kurt Waldheim's wartime activities have generated controversy for nearly two years. The report of an international commission on his record as an intelligence officer with a German unit in the Balkans is expected next month. Michael Lings, the former managing editor of *Profile*, Austria's most respected news magazine, first broke the story of Mr. Waldheim's past. He spoke recently to the *IHT's Ferdinand Protsman*:

Q. You recently estimated the odds of Mr. Waldheim stepping down at 70 to 30 against. Do you still hold that view?

A. Yes. If the historical commission doesn't produce evidence that he personally committed war crimes, which I don't think it will, then those odds remain.

Q. Do you believe he should step down?

A. When this began, I felt he should withdraw his candidacy because he did not tell the truth about his past, and later did not find the correct words to judge his past. One simply cannot say, "I only did my duty" if one was a member of a staff that commanded war criminals. But I don't believe Waldheim should step down because he won't be received abroad. One shouldn't bow to foreign pressure, but act from one's own moral values.

Q. Would his resignation end the turmoil?

A. Unfortunately, there is no solution. If he stays, it's bad for the country because it hurts us internationally. He goes and it's

bad for the Jews who live in Austria, because some people will claim "World Jewry" forced an innocent Austrian president to resign.

Q. What about his membership in two Nazi organizations?

A. He was not a Nazi, more an anti-Nazi. His memberships in the National Socialist Studentenbund and the SA Reichercorp are

not counter-evidence. These were entirely subordinate Nazi organizations. It was possible to be a member without even knowing it yourself.

Q. Is such historical insight relevant to the current situation?

A. These conditions must be known to assess the situation accurately — many American journalists unfortunately don't have the slightest idea. Austrians are correct in rejecting the suggestion that he was a Nazi and war criminal, at least from the known evidence. It is always possible new, very damaging documents could surface.

Q. Why do many Austrians now openly say he should leave?

A. What many people dislike about Waldheim is his lack of love for the truth. I say the majority of Austrians stand behind him

and do not seriously confront themselves with the question of whether or not he lied.

Q. Why not?

A. It has happened so often here that politicians lie about their past. It doesn't particularly stir people up.

Q. When you wrote the first Waldheim article what was your motivation?

A. The truth. Rumors were flying around that The New York Times would publish material against him. We asked him if he had anything to fear and said we would check his answers. We found the two memberships. It bothered us that he didn't touch this at all in his autobiography. We also thought he would express himself more reasonably. Only when he continually disputed everything, even when it was proven, did we oppose him. His comment about doing his duty, finished him off for me, personally.

Q. Why do you think he has behaved so clumsily in this matter?

A. To his credit, he was under a certain shock, suddenly being accused as a war criminal. But I regard Waldheim to be roughly about as clever as he was dynamic, efficient and successful as UN Secretary General. And he was badly advised.

Q. How did Austria's two main political parties react to the story?

A. The Socialist Party in some way joined the reporting against him, hoping the accusations would hurt. They didn't do it out of anti-fascist conviction, but to weaken the opposition candidate. That only aroused scorn for the whole affair.

Q. How so?

A. In 1975, the Socialist Party proposed Friedrich Peter to be president of parliament. He had been a member of a Waffen SS death brigade in Russia that killed hundreds of thousands of people, including women and children. Naturally, he concealed this, and when finally asked about it, said, "I only did my duty." So the criticism of Kurt Waldheim struck Austrians as mendacious.

Q. And the People's Party?

A. They saw the chance, after a very long time, to win an election. That made Alois Mock (head of the People's Party) blind to all objections to Waldheim. Their fall from grace began when the affair started heating up more and more anti-Semitism. Alois Mock and his secretary-general, Michael Graf, apparently speculated politically with this anti-Semitism. They never gave a single television interview in which they didn't use sentences which were greedily snapped up by many latent anti-Semites here. In my eyes, such conduct is much worse than Kurt Waldheim's.

MONDAY Q&A

Security Strict in Manila On Eve of ASEAN Talks

By Serh Mydans
New York Times Service

MANILA — The myriad security concerns of the Philippines came to the fore during the weekend on the eve of a six-nation regional summit meeting.

The leaders of the Association of Southeast Asian Nations began arriving Sunday for their first gathering in 10 years.

Helicopters, coastal patrol boats, bomb-sniffing dogs and a security force of 10,000 men have been deployed against possible threats from rightist bands, Communist rebels or any others who might wish to embarrass the government of President Corason C. Aquino.

The arrests last week of the leader of an attempted coup in August and of a bomb expert linked to former President Ferdinand E. Marcos have boosted the confidence of the Philippine hosts.

But the military's chief spokesman, Colonel Oscar Florendo, said that security forces "should not be lulled into believing there are no threats."

Mrs. Aquino said that the reputation of her government rested on the successful completion of the meeting.

She said she hoped to prove to the sometimes skeptical visiting leaders that "we are not only very capable but very dedicated to our task."

After the coup attempt, officials of the other ASEAN nations — Indonesia, Malaysia, Singapore, Thailand and Brunei — raised questions about the possible cancellation of the Manila meeting. The meeting became a matter of national honor for the Philippines. The instability that has accom-

panied the opening of a "democratic space" that invites leftists to take part in politics has caused concern among neighboring nations.

Warnings by armed rightist groups that seek to destabilize the government have made the meeting a focus of the uneasiness.

Several bombs have been discovered and defused, or have exploded with some injuries, in what have been seen as warnings of possible violence when the leaders gather.

In response, the Philippines has permitted its guests a virtually free hand in augmenting their own security.

Philippine officials said six Indonesian warships and four Malaysian vessels had been deployed in Manila Bay in case of any major disruption of the meeting.

Indonesia, which has been most vocal about its security concerns, is reportedly bringing a helicopter and at least one bulletproof car.

Preliminary meetings began Saturday among foreign and economic ministers to complete agreements to be signed by the six leaders.

The Japanese prime minister, Noboru Takeshita, is scheduled to join the meeting Tuesday.

■ **Rebels Consider Truce**

Communist rebels said Sunday they were considering a Christmas truce and hinted they would wind down their street war in Manila, which has claimed 100 lives this year, Reuters reported.

The offer, by rebel officials, was made public hours after the police blamed the Communist guerrilla New People's Army for launching a daring attack on a police command post on the outskirts of the city.



Prince Vikram Singh, 23, sitting across from his veiled bride, 20-year-old Princess Chitrangda Scindia, during the wedding ceremony at the Jai Vilas Palace in Gwalior, India.

In India, 'Happy Synchronicity' A 'Royal Wedding' Is Rich in Color and Controversy

By Steven R. Weisman
New York Times Service

GWALIOR, India — The slim young prince arrived in a silver carriage, wearing a sapphire and gold tunic draped with pearls, diamonds and rubies. The princess emerged from an immense fairy-tale palace that shimmered with strands of white lights.

Then as 20,000 guests applauded, the son and daughter of two of India's wealthiest and most influential former maharajahs were married under a red and gold canopy in an outdoor ceremony as rich in political and social controversy as it was in pageantry.

Many in India deplored the celebration Friday as a case of gaudy excess, a throwback to a time best left behind. But others saw it as a sumptuous "royal wedding" that called attention to traditions the country is in danger of forgetting.

"It is a happy synchronicity that may never occur in India," said Karan Singh, a former maharajah of Kashmir, former cabinet minister and father of the groom. "In today's context, it is also an interesting and perhaps unusual alliance, rather like a Rockefeller marrying a Kennedy."

India abolished royal titles when it absorbed 300 autonomous princely states at independence in 1947. But the wedding proved that people remember how the British used to accord a 21-gun salute to the maharajahs of only five such states — among them Gwalior and Kashmir, brought together this night.

Until recently, Vikram Singh, the 23-year-old groom, was studying business administration and playing polo at the University of Southern California in Los Angeles.

In an interview before the wedding, he acknowledged that at least one American woman was broken-hearted when he decided to return home for a marriage more or less arranged by his family. "My decision was based on my feeling that it was time to do what would make me happy in the long run," he said.

Although he had spent only a small amount of time alone with his 20-year-old bride-to-be, Chitrangda Scindia, Mr. Singh said he had fallen in love.

Other people at the wedding gos-

siped about how the event represented an alliance of two prominent politicians who continue to be addressed as maharajah but probably draw more power and prestige as friends of Prime Minister Rajiv Gandhi.

The two fathers had promised a low-key event, and indeed only one elephant led the bridegroom's procession.

The maharajah was a well-known railroad buff who served his dinner guests liqueur, candy and cigars on a tiny silver tray that rolled on tracks atop the banquet table.

The current Mr. Scindia is Mr. Gandhi's minister of state for railroads. In the town of Gwalior, where there was singing and celebrating throughout the evening, people said he had improved the town's rail connections with other parts of India.

Mr. Scindia, 42, was elected to parliament in 1984 as part of the new wave of young people brought in by Mr. Gandhi, and has been mentioned frequently as one of the cabinet's stars.

But as the scion of a feudal family that has built temples, schools, palaces and other monuments all over India, Mr. Scindia also has been heir to more than a few princely headaches. He is barely on speaking terms with his mother, who also is in Parliament — as a leader of the opposition National People's Party.

The newspapers have gleefully reported the Scindia family feuds over money, politics and property. Many say that Vijaya Raje Scindia — known as the *Rajmata*, or queen mother — was furious when her son joined the governing Congress Party because she had been jailed during the 1975-77 state of emergency imposed by Mr. Gandhi's mother and predecessor, Prime Minister Indira Gandhi.

Mrs. Scindia had in fact scheduled an anti-government demonstration for the wedding day but postponed it. "I'm just a grandmother today, not a politician," she said at the wedding.

Critics Assail Paris Over Iranians

By Steven Greenhouse
New York Times Service

PARIS — France is coming under heavy criticism over its expulsion of 17 members of an Iranian leftist group in what some assert is part of a deal to free French hostages.

Since the members of the Mujahidin Khalq — 14 Iranians and three Turks — were put on a plane to Gabon on Tuesday, France has received protests from British, French and Italian parliamentarians and American congressmen, as well as the United Nations high commissioner for refugees.

In addition, many French socialists and religious figures criticized the expulsions, and even the government's minister for human rights joined the chorus.

The expulsions came 10 days after pro-Iranian terrorists in Beirut freed two French hostages, Roger Auque and Jean-Louis Norman-

tolerate that people carry out on our soil blackmail and threats that tend to make terror reign in one part of the Iranian community.

When he announced the roundup of several dozen Mujahidin members, he said they had engaged in intense propaganda activity and had made death threats against some Iranians in France who had refused to contribute to their cause.

Before Parliament, Mr. Pasqua, who denied making any deal with Iran, also said that "it isn't necessary to confuse the right of asylum, which is inalienable, with certain activities contrary to public order."

He added that it would be hard to present the Mujahidin, who seek to overthrow the government of Ayatollah Ruhollah Khomeini, as "authentic democrats."

Louis Metardieu, a Socialist member of the National Assembly, called the expulsions an "affront to France, land of asylum."

After Voting, South Korea Faces Time Of Testing

By Fred Hiatt
Washington Post Service

SEOUL — South Koreans will vote this week amid fears of violence, intimidation, vote-buying, biased media coverage, ballot-box stuffing and other forms of fraud.

That will be the easy part.

The real test will come, many people here believe, after the voting on Wednesday. South Koreans are gambling that, after 26 years in power, an authoritarian, military-dominated elite will give way to democracy without a violent revolution or counter-revolution.

Many Koreans say that their literate, increasingly prosperous population is in a better position to pull off such a political miracle than most societies are. Despite all of the fears and rumors to the contrary, they say, the nation has conducted this presidential campaign with remarkable restraint.

But they also acknowledge that the problems facing them in the days, weeks and months after the election are more than formidable.

"No matter who wins," a businessman said Sunday, "it's going to be a mess."

Wednesday's victor, who is almost certain to receive less than 50 percent of the vote, will face grave challenges from the start. It is the ruling party's nominee, Roh Tae Woo, the danger will be a popular uprising questioning the fairness of the vote; if an opposition candidate wins, the threat could come from the army.

Some Koreans already are stockpiling rice, noodles and other staples in anticipation of trouble, a source said Sunday.

The guy's going to be shaky no matter who wins," a Western diplomat said. "Sixty percent of the people will have voted against him."

If the winner survives the immediate challenges, he will bump into longer-term and possibly graver problems: trade pressure from the United States that could slow South Korea's export-led economy, virulent regional prejudice fanned by the campaign and rising expectations among all sectors of society after a year of exceptional economic growth.

"Whoever becomes the president, there will be strikes this spring, and they will be difficult to control," Kwack Taewon, an economist at the Korea Development Institute, said last week.

Mr. Kwack and others find some grounds for optimism. They cite the fundamental soundness of the economy, for instance, and a budgetary cushion from the sale of government corporations planned for the next five years.

Several people interviewed said that the Olympic Games, scheduled to be held in Seoul next September, will serve as a brake on all special interest groups, since the games are a point of pride for this developing nation that no one wants to jeopardize.

But the prospect is far less rosy than it appears, because when President Chun Doo Hwan, according to weeks of street protests, promised six months ago to allow this election, Mr. Chun's concession seemed to pave the way for a showdown, after years of coups and constitutions imposed to prolong regimes, between the forces of democratic opposition and the ruling elite.

That cathartic struggle never took shape, however, because the two long-time leaders of the opposition, Kim Dae Jung and Kim Young Sam, both decided to run. With the entry of a fourth candidate, former Prime Minister Kim Jong Pil, the campaign turned into a bitter, name-calling affair with no clear favorite and no candidate who seemed to rise above personal ambition.

With poll takers predicting that a one-third plurality might bring victory, Kim Dae Jung has concentrated, with increasing ferocity, on warning the government not to "steal" the election.

In the text of a speech he gave to a huge rally in Seoul on Sunday, Mr. Kim warned that committing election fraud could lead Mr. Chun to a fate like Choe In Kyu, a home affairs minister who was executed for masterminding vote fraud before a 1961 coup.

An aide to Mr. Kim, T.C. Rhee, said that if Mr. Roh wins through cheating "there will be a rebellion, there will be a revolution — a revolution in the sense that there will be blood, there will be weapons."

WORLD BRIEFS

Bishops Clarify Stance on Condoms

WASHINGTON (UPI) — In response to hundreds of phone calls questioning the Roman Catholic bishops' stand on the use of condoms, the church has issued a clarification, maintaining that a major policy statement on AIDS, or acquired immune deficiency syndrome, did not advocate use of the birth control device.

Archbishop John L. May, president of the National Conference of Catholic Bishops, cautioned Catholics on Saturday to read the statement carefully. "I want to stress that our statement does not call for any changes in the church's constant teaching concerning proper moral behavior," he said. The statement did say that Catholic schools should develop materials on AIDS prevention.

The archbishop said the bishops have criticized "campaigns promoting condoms to prevent transmission of the AIDS virus." He said their statement "urges abstinence outside of marriage and fidelity within marriage as well as the avoidance of intravenous drug abuse as the only morally correct and medically sure way to prevent the spread of AIDS."

Aden Sentences Ex-President to Death

ADEN, South Yemen (AP) — The Supreme Court has sentenced former President Ali Nasser Mohammed and 33 supporters to death. The deposed leader was quoted Sunday as calling the verdicts a "fresh massacre."

In an interview with the Abu Dhabi newspaper *Al-Itihad* after the sentences were handed down Saturday, Mr. Mohammed warned that the move threatened national security. He was convicted of treason for fleeing civil war in January 1986, when he was deposed after 13 days of battling between rival wings of the governing party. Mr. Mohammed lived in exile with thousands of his supporters along the mountainous border regions of North Yemen.

The verdicts marked the end of a yearlong trial of 142 people. Of these, 48, including Mr. Mohammed, were tried in absentia, and 18 were sentenced to death. Of the 94 in custody in Aden, 16 were condemned to death.

30 Dead, 66 Hurt in Soviet Rail Crash

MOSCOW (Reuters) — Thirty people were killed and 66 injured when a freight train hit a stationary passenger express train in the Soviet republic of Georgia last month, the Communist Party newspaper *Pravda* said Sunday.

The crash at the station in Ruisbulo, 25 miles (40 kilometers) southeast of the Georgian capital of Tbilisi, occurred Nov. 29. The passenger train was carrying mainly servicemen.

Soviet television reported Saturday night that the chief of the Transcaucasian railroad network, G. Mairuzadze, and his deputy, Y. Kapranadze, were dismissed after the accident. The driver of the freight train, who was reported to be asleep when the crash occurred, was killed.

Gunmen Kill 2 Policemen in Soweto

JOHANNESBURG (WP) — Gunmen with automatic rifles fired at a police vehicle in Soweto late Saturday, killing two black policemen and wounding four others, the authorities said Sunday.

It was the most serious attack on the South African police in several months and underscored warnings by the government that black nationalist guerrillas planned to escalate violence before Christmas.

The police in Pretoria said the shooting took place in the Meadowlands section of the black township. The gunmen fired from a vehicle and escaped, a police spokesman said.

Jailed Kenyan Lawyer Is Released

NAIROBI (WP) — A prominent Kenyan lawyer, whose nine-month detention without trial triggered worldwide protests about human rights abuses, has been freed by order of President Daniel arap Moi.

The release of Gibson Kaman Kuria, 40, an Oxford-trained lawyer who specialized in defending political prisoners, came as Mr. Moi delivered an angry speech denouncing human rights organizations that "interfere with our internal affairs."

Mr. Kuria was arrested at his Nairobi law office in February on the day after he had filed suit against the Kenyan government on behalf of three political prisoners. The lawsuit alleged that the police had tortured his clients to try to coerce confessions of seditious activities.

For the Record

Thousands of students and faculty members at the University of Foreign Economic Relations and Trade in Beijing attended a memorial service Saturday for a student whose death by stabbing at a campus store sparked calls for tighter security and better medical care. (AP)

The Liberation Tigers of Tamil Eelam in Sri Lanka pledged Sunday to crush rival separatist groups after two days of factional fighting killed at least three people. (Reuters)

A Philippine Airlines plane disappeared Sunday with 15 persons aboard during a domestic flight to Mindanao island. A rescue official said the twin-engine turbo-prop plane was on a flight from the island of Cebu to Iligan City, 150 miles (240 kilometers) to the south. (AP)

TRAVEL UPDATE

Italian Train Engineers on Strike

ROME (AP) — Italian train engineers began a 24-hour spontaneous strike Sunday afternoon, while government ministers met with Allitalia and union officials to try to keep airports open Monday.

The airport strike was called for all day Monday. By late Sunday afternoon, there was no word on the progress of negotiations to avert that walkout, and foreign airlines said they were expecting substantial delays.

The strike by the train workers came in defiance of an agreement reached Saturday between the state-run rail system and Italy's three trade union confederations. The rail strike was scheduled to end at 4 P.M. Monday.

Nigeria has threatened to suspend air traffic with Britain beginning Feb. 12 over a dispute about landing rights. (AFP)

A 37-mile (60-kilometer) stretch of the West German autobahn between Cologne and Aachen was closed Sunday for three hours because of fog. It was the first time that a part of the autobahn network, which has no speed limit, was closed. (Reuters)

Air France baggage handlers began a 24-hour strike Sunday at Orly Airport near Paris as Air France pilots ended a four-day strike. (AFP)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

WEDNESDAY: Bahrain, Bangladesh, Namibia, Nepal, South Africa.

THURSDAY: Bhutan.

FRIDAY: Niger.

Source: Morgan Guaranty Trust Co., Reuters.

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IT SEEMS MY NOTE IS NEEDED AS A TIE-BREAKER ON A KEY THATCHER BILL, NOW BEFORE THE HOUSE OF LORDS! I MUST RUSH TO THE HOUSE!

ZONKER, WHAT TIME IS IT?

WHAT TIME IS IT? UN-LET'S SEE... IT'S ALMOST 9:30 A.M.

9:30! MY GOD! I'M LATE FOR WORK!

YOU MEANT LONDON TIME, DIDN'T YOU?

ZONKER!

IT'S OKAY, MIKE. THE IMPORTANT THING IS HE'S MOVING OUT.

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السلامة الدولية

AMERICAN TOPICS



ON COMET, ON CUPID, AND ON PONTOONS — outposts near Ketchikan, Alaska. Reaching the Eskimo communities and logging outfits requires a sea plane.

He Won the Battle of the Bottle With a Refusal to Swear Off

For 25 years James Almbad of Portland, Oregon, was "in an intoxicated stupor," and for the last 10 of those years he failed at his every attempt to overcome alcoholism.

Then he hit on this technique, according to his letter to U.S. News & World Report, and for over two years it has worked: "I wake up and tell myself: 'Tomorrow, I'll get drunk as a skunk — tomorrow.'"

Short Takes

Only 739 people received U.S. doctorates in mathematics in the 1986-87 school year and only 362 of them were U.S. citizens, according to Edward A. Connors of the American Mathematical Society.

Some New Jersey cities have long complained about having prisons named after them, so prisons have been renamed with geographical designations.

More people are going hunting but fewer are getting shot and killed in hunting accidents. Experts credit safety courses, now required by 35 of the 50 states.

Priscilla Steenhook shows tourists around the small white frame house in Somerset, Iowa, where the actor John Wayne, was born May 26, 1907.

Notes About People

Nancy Reagan was the force behind removing hard-line conservatives from the administration, according to a forthcoming book, "Behind the Scenes" (William Morrow & Co.)

to replace Richard V. Allen and William P. Clark as national security advisers, Donald T. Regan as chief of staff and James G. Watt as interior secretary.

Rear Admiral John M. Poindexter, a former national security adviser to Mr. Reagan, has retired from the navy at his permanent two-star rank of rear admiral with a \$52,764 annual pension for 29 years of service.

Judge Robert H. Bork has broken his silence over the U.S. Senate's rejection of his nomination for the Supreme Court by a 58-42 vote on Oct. 23.

Senate Bill Includes Funds for Contras

By Jonathan Fuerbringer New York Times Service

WASHINGTON — The Senate has approved a \$606 billion catch-all appropriation bill that includes \$7.6 billion of the spending cuts required by the budget compromise between Congress and the White House.

The bill was approved, 72-21, just before 3 A.M. Saturday after 17 hours of debate. It now goes to the House of Representatives, which approved its own version of the bill last week without any aid for the rebels.

But aides to the House Republican leadership and an important Democratic representative said they thought it could be approved.

President Ronald Reagan has threatened to veto the entire spending bill if it does not include non-military aid for the rebels.

The appropriation bill is one of two measures that are needed to carry out the deficit-reducing package agreed to last month by congressional leaders and the White House.

The other bill, which the Senate approved early Friday, provides \$9 billion in tax increases and \$17 billion in spending cuts, fees for the use of government services and sales of federal assets.

Dozens of other amendments were approved by the Senate, including a proposal allowing the re-

the contra aid amendment, said the rebels would be able to transport some military equipment that already had been purchased on planes carrying the nonmilitary supplies.

In an effort to tie the money to the peace negotiations under way in Central America, the amendment says that if a cease-fire is negotiated between the contras and the Sandinist government of Nicaragua by Jan. 17, the supplies and the transportation money would be given to "nonpolitical humanitarian international organizations" for distribution.

Another amendment the Senate approved was one to allow the sale of shoulder-fired Stinger anti-aircraft missiles to Bahrain for 18 months. The administration wants to sell 60 to 70 of the missiles to Bahrain, but the Senate Appropriations Committee had included a ban on such sales in the bill.

Canada Rearrests U.S. Businessman In High-Tech Plot

New York Times Service

VANCOUVER, British Columbia — Charles McVey 2d, an American fugitive wanted in the United States in connection with a multi-million-dollar plot to sell advanced technology to the Soviet Union, was rearrested in a courthouse here on an extradition warrant.

At the extradition hearing Friday, Judge Raymond Cooper cited major errors in the documentary evidence supplied by the U.S. government and released the 64-year-old California businessman.

As he walked from the court, he was rearrested on new charges by the United States that he and others had transported stolen computer software from California to British Columbia. He was taken into custody again and is to appear in court again on Wednesday.

At the Friday hearing, Mr. McVey was accused of being the ringleader of a complex plot to export sophisticated computer hardware illegally to the Soviet Union through Switzerland and Mexico.

The charges said that millions of dollars worth of U.S. computers wound up in six Soviet scientific agencies, including the Soviet Space Research Institute, the Atomic Energy Institute and the Computer Research Institute.

Ozal Ends Checkup in U.S.

ANKARA — Prime Minister Turgut Ozal of Turkey returned home Sunday following eye surgery and medical checks in the United States.

Defector Cites Sandinist Ploy on Arias Plan

By Joe Pichirallo and Terri Shaw Washington Post Service

WASHINGTON — A former senior aide in the Nicaraguan government who defected to the United States in October says the Sandinists have adopted a strategy to turn the regional peace plan signed by Nicaragua and four other Central American countries into a "weapon" to consolidate Sandinist control.

In his first interview since defecting, Major Roger Miranda Bengoechea said last week that, acting on the direction of the Nicaraguan defense minister, he oversaw the diversion of \$1.4 million in Defense Ministry funds to a numbered Swiss bank account for the personal use of the minister, Humberto Ortega Saavedra.

U.S. officials consider Major Miranda, who has been extensively defied by the U.S. Central Intelligence Agency, to be credible and to represent a major breakthrough in penetrating the Sandinist hierarchy.

In a news conference last month, General Ortega, brother of the Nic-

araguan president, Daniel Ortega Saavedra, confirmed that Major Miranda had been one of his closest aides. He said the major, whom he called alternately the "little worm" and "traitor Miranda," had had access to "important military information and documents" and had taken copies of some records.

He charged that the Reagan administration would attempt to "manipulate" Major Miranda's information and mount a "propaganda show" against the Sandinists to undermine the Central American peace process.

As head of the defense minister's secretariat since 1982, Major Miranda said he had access to minutes of closed meetings of the nine-member National Directorate of the Sandinista National Liberation Front, which rules Nicaragua. He said he also acted as a liaison with the army general staff and other branches of the government and that he sometimes sat in on private conversations between the Ortega brothers.

Major Miranda was interviewed in a guarded State Department conference room. His revelations

during more than four hours of questioning, arranged and monitored by State Department officials, included the following:

• He said the Sandinists have negotiated secret military agreements with the Soviet Union and Cuba that call for a major military buildup over the next seven years, including delivery of MIG-21 jet fighters and enough arms for a military force of 500,000 full- and part-time soldiers.

• In addition to General Ortega's Swiss bank account, Major Miranda said, top military officers have used a slush fund in Panama for personal expenses.

• In violation of the regional peace plan, written by President Oscar Sanchez of Costa Rica, the major said, the Sandinists continue to support leftist Salvadoran guerrillas.

• The effects of the six-year war against the rebels, commonly known as contras, have begun to take their toll inside Nicaragua. Major Miranda said the contras' greatest failure has been their inability to tap the discontent in Nicaragua's urban centers.

"As the years pass," the major said, "the situation of the Sandinista leadership gets more difficult. That does not mean that in the next month or so they will be defeated, but that the effects of the war are beginning to be felt in such a poor country as Nicaragua. Humberto Ortega has said he is beginning to feel the rope around his neck."

He said the Sandinists are insecure about their relationship with Moscow and "afraid that the Soviets will negotiate over their heads."

Nicaragua's continued pressure on the Soviet Union to increase military aid, he said, is partially an attempt to extract a deeper security commitment. In particular, he said, Nicaraguan leaders see their request for a squadron of MIG-21s, which Moscow promised but never delivered, as a test of the Russians' true intentions.

Haitian Junta's Election Council Sworn In

PORT-AU-PRINCE, Haiti — The Supreme Court has sworn in a new Election Council chosen by the government to reopen the voting process suspended on Nov. 29 following violence in which more than 30 people were killed.

The ceremony Saturday in the Palace of Justice, with heavily armed troops in the building, appeared to support the view of many Haitians that the new elections, scheduled for Jan. 17, will be controlled by the military.

The nine council members were named Friday to replace the council that was dismissed after gangs using machine guns and machetes killed people attempting to vote. The violence caused the postponement of the elections, which were the first in Haiti in 30 years.

The political opposition said the dismissal of the independently chosen Election Council was unconstitutional, refused to recognize the new one and called for the resignation of the government, led by Lieutenant General Henri Namphy.

The opposition contends that General Namphy's government is trying to fix the outcome of the Jan. 17 elections in its favor by picking the new commission.

• Makeup of New Panel Earlier, Julia Preston of The Washington Post reported from Port-au-Prince.

The government announced on Friday the names of its nine appointees to the electoral board. None of those selected is a prominent figure, political observers said. "Not one of them is known by anybody," said Louis Roy, one of the authors of the 1987 Haitian Constitution.

The constitution, approved by an overwhelming public vote in March, stipulates that the Roman Catholic and Protestant churches, human rights groups, a journalists' association, a university council, a confederation of agrarian cooperatives, the Supreme Court, the government council and one other government-linked group must each name a representative to the Election Council.

All but the Supreme Court and the government declined to choose new delegates to replace those they

selected for the dissolved electoral board. Since they declined, the constitution can be interpreted to give the government the right to pick delegates of its own.

The four main opposition parties argue that the ruling government council violated the constitution by abolishing the first electoral board and has demanded that it be reinstated.

General Namphy has been heavily criticized by the United States, Canada and France, among other Western nations, over the collapse of the elections. But he gained support from the conservative prime minister of Jamaica, Edward P.G. Seaga, and the leaders of

four small Caribbean islands who visited Haiti.

Mr. Seaga said that General Namphy had assured him the Haitian armed forces would provide adequate security for the January voting. The army did not intervene to halt the Nov. 29 violence. Mr. Seaga said he did not ask General Namphy to explain the violence, which he said was "history." He added that he was satisfied the government "is working sincerely to hand over power Feb. 7, and they are doing it in a manner consistent with the constitution as they see it."

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INTERNATIONAL Herald Tribune

Success Without Euphoria

Expectations about the summit meeting soared so unreasonably that to some, its genuine successes seem pallid. Already the morning can be heard about failure to reach accord on space-based defenses, on long-range nuclear arms, on Soviet withdrawal from Afghanistan, and on human rights.

No Relief for the Afghans

In a midsummit interview, President Reagan suggested that Mikhail Gorbachev had abandoned the Soviet Union's traditional global ambitions. But you cannot yet prove it in the Gulf, where Mr. Gorbachev turns his back on a pledge to penalize Iran for its thwarting of peace, and least of all in Afghanistan, where he evaded Mr. Reagan's call to set a date for full, expeditious withdrawal of the 120,000 Soviet occupying troops.

The Japanese Auto Quota

U.S. curbs on imports of Japanese cars were supposed to be temporary. Now almost seven years old, their cost to consumers has been staggering and the benefit to American car makers only marginal. Even so, Detroit has come up with a laudable new argument to make the ceiling lower still.

Other Comment

Better a Hollywood Summit

Even though the summit turned out to be a gaudy affair, more glitter than substance, it has rightly been acclaimed for setting the seal on the first real reduction in nuclear weapons since they were invented. Better all the hype of Hollywood than another Hiroshima. The summit has to be recognized, too, for its symbolic value as the first public acknowledgment by the superpowers that they can no longer afford the full burdens of a global

of second-order issues that had blocked final agreement. The treaty just signed is a monument to summit diplomacy and creates stunning precedents for on-site inspections of future arms agreements.

and pimed down by guerrillas, but that the Soviet army has no right to be in Afghanistan. It is committing aggression. It has spent eight years killing and uprooting the Afghan people and destroying their land.

models to be counted against the quota. Japan's annual U.S. output is 1.2 million cars. Calculating that imported parts are half of the final product, Mr. Peterson would cap 600,000 cars from the quota, cutting it to 1.7 million. Chrysler gets the same figures by a different route; it wants to cap Japan's market share, no matter where the cars are made.

OPINION From Jonathan Swift to Mikhail Gorbachev Like Détente, But Without The Others

By John Vinocur

PARIS — The likelihood of the Soviet Union agreeing to scrap all its intermediate-range nuclear missiles seemed so small to Manfred Wörner, the West German defense minister, that he swore he'd crawl 240 miles on his hands and knees if all the missiles disappeared. It seemed an absolutely sound bet, and anyone, like Mr. Wörner, possessing the European constants of reasonableness and disinclination to risk might have taken it.

had the brief backing of Senator Sam Nunn, Representative Les Aspin and even Manfred Wörner six months ago — got swept aside. Too modestly modest. Not the stuff of Paul Bunyans, Berlin Ties (a modest proposal that really happened), or Freedom Shields in Space.

To End America's Logjam, First Extract the 'Key Log'

By Seymour Melman

NEW YORK — When a logjam, when the flow of logs, the logjam's problem is to discover the "key log," whose extraction unlocks the jam. Similarly, a tangle of short- and long-term problems incapacitates the economy of the United States.

of the party, signaling that Mr. Gorbachev has not consolidated his domestic power. The moment — you can hear the whoosh of history accelerating — could be the right one for Mr. Gorbachev to initiate a couple of Modest Proposals of his own. For starters, he could offer this kind of excess:



Autumn in America.

\$2 Trillion: Much of It Was Not for Defense

GEOGRAPHICALLY, a military invasion of the United States is unlikely. Neighboring nations and wide oceans border the country. The only genuine worry is a nuclear attack, a war that even Ronald Reagan acknowledges can have no winners.

At the Manila Summit, Worried Support for the Host

By Seah Chiang Nee

SINGAPORE — As the heads of government of the Association of South East Asian Nations prepare to meet today in Manila, some of them are worried that the Philippines may turn left or fall under communist domination. These concerns will not be aired publicly. But they may be raised in informal, private talks.

to rebels who renounced violence. Malaysia, Singapore and Thailand waged largely successful counterinsurgency campaigns, although small groups of die-hard communists have continued their struggle. Indonesia survived a communist coup attempt in the 1960s that led to hundreds of thousands of deaths. Brunei is relatively free of Marxist influence, but

purposes. The necessary planning for economic conversion is defined by a 1987 bill sponsored by Representative Ted Weiss, Democrat of New York, and 50 more House members. It would set in motion a decentralized process emphasizing local authority for using the people and facilities of factories, laboratories and bases that now serve the military for civilian work instead. City, state and federal governments would be marshaled to plan the capital investments needed to upgrade the decayed infrastructure. This would portend large new markets and work opportunities.

ing this is the future of the Philippines itself and the impact it will have on the cohesion of ASEAN. The writer, a former newspaper editor in Singapore, is a regular columnist in the Malaysian and Singaporean press. He contributed this comment to the International Herald Tribune.

Like Détente, But Without The Others

By Jim Hoagland

WASHINGTON — Out of the Washington summit meeting comes one overriding message: Mikhail Gorbachev is determined to improve Soviet-American relations, and he can count on Ronald Reagan's help in this task. Other nations will now have to adjust their policies to the new diplomatic reality created in Washington last week.

China was the third point of the balance-of-power triangle that Richard Nixon and Henry Kissinger created in launching détente and in playing Moscow and Beijing against each other. But Beijing was absent this time from the superpowers' calculations.

China was the third point of the balance-of-power triangle that Richard Nixon and Henry Kissinger created in launching détente and in playing Moscow and Beijing against each other. But Beijing was absent this time from the superpowers' calculations.

100, 75 AND 50 YEARS AGO

1887: Diplomatically III PARIS — Prince Bismarck was well enough to go for a walk on Dec. 13. In St. Petersburg, people are skeptical as to the Chancellor's illness, which they describe as "diplomatic." The explanation of his sharp attack, Russians think, is found in his reluctance to reply to the Note in which Austria requests him to assume a decided attitude in Bulgarian affairs.

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Shultz Says Nordic Zone Can't Be Nuclear-Free

By John M. Goshko
Washington Post Staff Writer

COPENHAGEN — Secretary of State George P. Shultz rejected on Sunday the idea of a Nordic nuclear-free zone and said that such concepts undermine the type of unity within the Atlantic alliance that led to the U.S.-Soviet treaty on eliminating intermediate-range nuclear missiles.

At a news conference concluding his two-day visit here, Mr. Shultz chided advocates of declaring the Nordic region — Denmark, Norway, Sweden and Finland and the Baltic Sea — a zone that the superpowers should recognize as off-limits to nuclear war.

"The problem is the Soviet Union has nuclear weapons, and they can aim them at you, and you can't determine where they will hit," Mr. Shultz said.

Denmark, although member of the North Atlantic Treaty Organization, has one of the strongest anti-nuclear movements in Western Europe. Prime Minister Poul Schluter's conservative government opposes the nuclear-free zone idea, but it is a persistent and potentially potent notion for the country.

Its advocates argue that there are no nuclear weapons in the Nordic region since the two NATO members, Denmark and Norway, refuse to accept them on their territory during peacetime. That, in turn, leads to an argument that since the region poses no nuclear threat to the Soviet Union, the Soviet Union should reciprocate by eliminating the Nordic countries as potential nuclear targets.

However, Mr. Shultz noted, seeking special treatment for Denmark and Norway would work against the cohesion of the North Atlantic Treaty Organization. "We must all stand together, or we will hang together," he warned.

Mr. Shultz came to Copenhagen after reporting to NATO foreign ministers in Brussels on the treaty to eliminate medium- and shorter-range nuclear missiles signed in Washington last week by President Ronald Reagan and Mikhail S. Gorbachev.

"Why were we able to get that agreement?" he asked. "A key reason is that NATO had the strength of will when we objected to the Soviet deployment of SS-20 missiles to say that we would negotiate for their removal or deploy U.S. missiles ourselves" in NATO countries.

For the alliance, he said, that means keeping up its conventional as well as its nuclear forces. And he added:

ARMS: Caution Urged
(Continued from Page 1)

ate Republican leader, who said of Mr. Gorbachev: "I think he wants to have this new relationship with the United States. But I think we have to realize we live in very different societies. It's godless communism."

The issue of human rights is one example of the problems still dividing the superpowers. Mr. Baker acknowledged that despite Mr. Reagan's having placed the issue on a par with arms control during his meetings with Mr. Gorbachev, "We don't have anything to show for it yet."

Mr. Reagan also failed to gain a promise from Mr. Gorbachev on when the Soviet Union will move its 115,000 troops out of Afghanistan. And, on another of the so-called regional conflicts, Mr. Gorbachev left American officials puzzled by a comment on Nicaragua.

Lieutenant General Colin L. Powell, the White House national security adviser, said: "The general secretary made a few cryptic references to an arrangement where they would reduce their level of arms support to something in the neighborhood of small arms, or he even said 'police weapons' at one time, and he made a reference to our doing likewise. We'll follow up on that to see what it really means."

General Powell also denied that Mr. Reagan and Mr. Gorbachev had reached an accommodation on U.S. support for the Nicaraguan rebels and Moscow's backing of the Sandinist government, saying, "No deals were made."

Mr. Bush, reinterviewing Mr. Reagan's spokesman, said the United States should continue to aid the Contras, as the rebels are known, until the Sandinists "go down the democracy's road" to free elections.

Mr. Baker said an agreement between the superpowers to tone down the controversy over a space-based missile defense system should help the effort to reach an accord on cutting long-range nuclear weapons by 50 percent.

The two nations have agreed, at least for now, to stop arguing about what limits the 1972 anti-ballistic missile treaty places on development of Mr. Reagan's research effort for a space-based defense, known as the Strategic Defense Initiative.

SUMMIT: Two Words on Space Defense Were Key to Success of Meeting
(Continued from Page 1)

armed nations had signed a treaty to eliminate a whole class of nuclear weapons, medium-range and shorter-range missiles.

Mr. Reagan had hoped to move toward a separate treaty on space defense issues, disconnecting the subject from the offensive arms reductions. But if this could not be done — in fact, the Soviets refused to move in this direction — Mr. Reagan set out these U.S. objectives in the space defense area: Soviet acceptance of a U.S. right to conduct "testing in space as required" as part of the preparations for SDI, and Soviet agreement that the United States would be permitted to deploy SDI defenses after the end of an agreed period of years during which neither nation could withdraw from the 1972 Anti-Ballistic Missile Treaty.

Both positions had been put forward by the Pentagon in interagency negotiations, and both were opposed by the State Department, which favored less ambitious objectives. Mr. Reagan had adopted the Pentagon view.

The Soviets, as the State Department had expected, adamantly refused to accept these two bids for acceptance of SDI. A U.S. official said that at one point, the Soviet arms negotiator, Viktor P. Karpov, snapped that he had heard all this before and demanded that the Americans "stop wasting my time."

At the Soviet Embassy on Thursday morning, according to several U.S. officials, Mr. Shultz and Paul H. Nitze, the president's arms control adviser, agreed to drop the demand for an explicit Soviet acceptance of "testing in space." They also dropped one for an explicit right to deploy missile defenses at the end of the specified period in which both sides would continue observing the ABM Treaty.

In return, the Russians tentatively agreed to a more ambiguous statement that each side "will be free to decide its own course of

BELGIUM: Governing Coalition Is Headed for Defeat
(Continued from Page 1)

French-speaking and a Dutch-speaking wing.

The language division was apparent in the voting, with the Liberals faring best among the more prosperous Dutch speakers of Flanders and the Socialists performing well in the depressed French-speaking areas of southern Belgium.

The predictions gave the outgoing coalition 106 seats, a drop of nine that would wipe out its majority.

Mr. Martens' own Christian Democrats were forecast to lose seven of their 49 seats, while the party's French-speaking wing appeared headed for a loss of two of its 20 seats.

The two Socialist parties, one from each of the language areas, were expected to gain seven seats,

Montand Rules Out Bid For French Presidency
Reuters

PARIS — The actor and singer Yves Montand, after 18 months of press speculation that he might run for president of France in the spring, says that he has no ambition for the job.

"I know my limits," Mr. Montand said Saturday in an interview on French television. "It's not my ambition." He said he would vote for President Francois Mitterrand.



A helicopter chartered by CBS News helped rescue the crew of the tanker Pivot in the Gulf.

GULF: Iran Said to Use New Device to Set Tankers Afire

(Continued from Page 1)

There were no casualties aboard the Norman Atlantic. One crewman aboard the Pivot was burned.

U.S. Aided in Rescue
John H. Cushman Jr. of The New York Times reported from aboard the La Salle, the U.S. Navy command ship in the Gulf:

An American warship helped rescue the crew aboard the Pivot, according to officials on the La Salle.

The rescue Saturday by the guided missile destroyer Chandler was

the most dramatic assistance by U.S. forces to tankers flying foreign flags since the start of a naval buildup in the Gulf this summer when the United States began providing escorts to Kuwaiti tankers flying the U.S. flag.

The tanker's crew was rescued by an SE-2 Lamps maritime surveillance helicopter, based aboard the Chandler, and by a privately chartered helicopter carrying a CBS News crew.

A pregnant woman was among those rescued from the Pivot, officials on the La Salle reported.

At the end of this period, as written, this does not rule out a Soviet increase in offensive weapons to offset U.S. strategic defenses if they are ever deployed.

Mr. Nitze and Mr. Shultz also continued to push for Soviet approval of the right of either side to explore space defense by "conducting their research, development and testing as required, which are permitted by the ABM Treaty." In the U.S. view, this language would strengthen the administration's claim that it could conduct realistic tests in space under a broad interpretation of the ABM Treaty, although its meaning was not as clear as the original U.S. formula.

Mr. Shultz and Mr. Nitze left the embassy to brief Mr. Reagan at the White House, where Mr. Gorbachev was expected at 10:30 A.M., shortly after breakfast with Vice President George Bush. A Soviet aide called to say that Mr. Gorbachev was considering what Mr. Shultz and Mr. Nitze had reported, and would be 15 to 20 minutes late. Later, the Soviet Embassy called again and said Mr. Gorbachev suggested the convening of another working group meeting, this one a more confidential session involving only a few officials.

In all, Mr. Gorbachev dropped out of sight at the Soviet Embassy for nearly two hours, while Mr. Bush waited so they could go to the White House together. A Soviet aide later told a U.S. official that the Soviet leader used part of that time to communicate with the Politburo in Moscow.

Mr. Gorbachev and Mr. Bush finally left for the White House more than 90 minutes late.

As the two leaders strolled on the White House grounds and then conferred over lunch, six arms-control officials met in the White House Cabinet Room to bargain on strategic and space arms.

With the pressure mounting sharply — the clock was ticking toward 2 P.M., when the two leaders were scheduled to say goodbye

to each other, but he said the election results had made it no easier to govern.

"The elections have made political affairs singularly more complicated," he said.

Mr. Martens' government was toppled in October by a resurgence of the feuding between French- and Dutch-speakers, which has dogged Belgium since the modern state was founded in 1830.

The quarrel, accentuated by the prosperity of Flanders in the north and the decline of industries in French-speaking Wallonia, centers on a cluster of villages known as the Fourche near the linguistic border.

Josef Happart, a militant francophone official of the town, whose refusal to perform his official duties in Dutch brought down Mr. Martens, continued his protest on election day by spoiling his ballot.

SANTA: This Year, the Big Hits Are Golden Oldies

(Continued from Page 1)

But he added that he did not believe that U.S. influence threatens the British toy industry's well-being. He said that Blue Bird Toys PLC, one of Britain's largest toy makers, has had success with several traditional toys such as The Big Yellow Teapot, The East End Market Stall and Hamburger Bar.

Hervé Partout, marketing director of Mattel France S.A., disagrees with the idea of American dominance. "Americans do not dictate taste," he said, adding that Mattel toys are developed by international teams of researchers that include psychologists, pedagogic experts and engineers in the United States and abroad. "There is an exchange of ideas," he said. "Some of Barbie's accessories were developed in France."

The fact that Playmobil exports to countries all over the world, Mr. Brandstatter said, has not forced the firm to adapt to specific U.S. or foreign tastes. "Our toys are international. A Playmobil policeman is not an American policeman nor a Japanese policeman. He is a just a Playmobil figure to which the child must add his or her imagination."

But he conceded that U.S. manufacturers, because of their size and through media campaigns, are able to influence trends. "German parents dislike American toys but frequently give in to their children's whims," he said.

Dany Breuil, marketing director of Smoby S.A., said that typically French toys can sell abroad. In general, French successes come from toys that imitate everyday life. Among the big sellers are a French vegetable stand with a toy scale and a toy golf cart.

TOYS: Workshop Asia

(Continued from Page 1)

urers are reluctant to allow more than a tiny fraction of a production run into local shops.

It is possible to save on freight charges and U.S. markups by shopping on a business trip in the local outlet of, say, Toys R Us. Ex-factory costs in Hong Kong are generally a fourth to a sixth of the retail price of a toy in the United States or Europe.

But it is just as possible to pay more for a toy in Hong Kong than in New York, since the object that will make your offspring smile for at least five minutes may have been to New York before landing on the shelf of a retail chain back in Hong Kong.

Although growth in the industry has been steady since it started here in the late 1950s, as plastics were finding wider use, the rising costs of labor, land, energy and other inputs have now brought Hong Kong's toy manufacturers to a turning point.

Encouraged partly by the Chinese-British agreement under which Hong Kong will return to Beijing's control in 10 years' time, toy makers have drifted steadily into neighboring Guangdong Province over the past few years. So far this year, 40 percent of Hong Kong's toy exports were at least partly manufactured in southern China.

For some large producers, as much as three-quarters of production now takes place on the Chinese mainland. By making this shift, they are able to reduce labor costs by 25 percent to 50 percent, depending on the product involved and how much of it is made in China.

As toy makers readily acknowledge, the China connection requires tight controls on production schedules and quality. But it has allowed Hong Kong to keep an industry it otherwise would have to pass on to lower-wage nations such as Thailand, which is now beginning to develop its manufacturing base.

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Greece Dr.	22,000	45	12,000	40	6,600	34
Ireland £Ir.	150	45	82	40	45	34
Italy Lire	380,000	42	210,000	36	115,000	30
Luxembourg L.Fr.	11,500	37	6,300	31	3,400	25
Netherlands Fl.	650	40	360	34	198	27
Norway (post) N.Kr.	1,800	38	990	32	540	26
— (hd. del.) N.Kr.	2,300	21	1,270	13	700	4
Portugal Esc.	22,000	52	12,000	47	6,600	42
Spain (post) Ptas.	29,000	41	16,000	35	8,800	28
— Madrid (hd. del.) Ptas.	42,000	15	21,000	15	10,500	15
Sweden (post) S.Kr.	1,800	38	990	32	540	26
— (hd. del.) S.Kr.	2,300	21	1,270	13	700	4
Switzerland S.Fr.	510	44	280	38	154	32
Rest of Europe, N. Africa, former Fr. Africa, Middle East \$	430	Varies by country	230	Varies by country	125	Varies by country
Rest of Africa, Gulf States, Asia \$	580	320	320	175	175	

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Dollar Straights

Table of Dollar Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

DM Straights

Table of DM Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Western Europe (Other)

Table of Western Europe (Other) bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

United Kingdom

Table of United Kingdom bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

United States

Table of United States bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

DM Zero Coupons

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ECU Straights

Table of ECU Straights bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Issuer

Table of Issuer bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Con Mat Price Yld

Table of Con Mat Price Yld bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Con Mat Price Yld

Table of Con Mat Price Yld bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Euromarts At A Glance

Table of Euromarts At A Glance bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Benchmark Yields

Table of Benchmark Yields bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Year Straights

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Wall Street Review

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DM Zero Coupons

Table of DM Zero Coupons bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

SELECTED U.S.A./D.T. QUOTATIONS

Table of SELECTED U.S.A./D.T. QUOTATIONS bond prices, including columns for Issuer, Con, Mat, Price, Yld, and various regional sub-sections like Australasia, Canada, Scandinavia, and Japan.

Toy Connection

Text for Toy Connection advertisement, mentioning a toy stock and its performance.

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Text for Indigo advertisement, mentioning a licensed broker.

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Monday, December 14, 1987

INTERNATIONAL Herald Tribune

A Monthly Report for the International Investor

PERSONAL INTERNATIONAL INVESTING

Bonds: Disdain for The Dollar

By William G. McBride

MANY Wall Street bond traders showed up at their desks earlier than usual last Thursday morning, a bit anxious before a crucial 9 A.M. announcement of the U.S. trade deficit. When it came, there were gasps around the trading desks. The deficit was nearly 20 percent larger than many analysts had forecast.

The verdict was swift. The dollar tumbled and so did U.S. bond prices. Noted Robert Thomas, economist at Midland Montagu Ltd., in London: "The dollar is still extremely accident prone."

The vulnerability of the U.S. currency has convinced a lot of portfolio managers that the best bets in bonds in 1988 will continue to be in the non-dollar markets. "Another 10 percent decline would not surprise," says David Sheath, a fixed-income specialist with Phillips & Drew in New York.

That means 1988 would mark the fourth year in a row that non-dollar bonds outperform dollar issues. Leading the pack so far this year are British government bonds, which have scored gains in U.S. dollar terms of over 43 percent, according to a Salomon Bros. index. A little over half the gain is currency appreciation. For the dollar-based investor, currency gains have contributed more than

Continued On Page 10

Investing in a World of Heightened Risks

TOKYO:

The market defies a chorus of skeptics.

Foreign analysts, who have long comprised a kind of chorus of skepticism, seem to have given up predicting the collapse of Japanese equities. The Tokyo Stock Exchange defied all the prophets of doom this year, despite plummeting markets elsewhere. For 1987, no one expects a surge; neither is anyone forecasting a rout.

The forces driving Tokyo prices upward have changed dramatically in recent months. Until mid-1987, when an 18-month bull run came abruptly to a close, prices were driven essentially by liquidity, in part reflecting a reluctance among manufacturers to invest in productive capacity.

The 1986-87 surge saw the Nikkei index of 225 stocks double by last June.

Excess cash flooded into the market, even as economic growth

Continued On Page 8



Charles Walker

By John Meehan

A YEAR ago, professional investors were debating which market would rise the most. These days, they agonize over avoiding the market most likely to stumble again. This obsession with preservation over performance is October's most important legacy.

"The underlying bull market in equities is no longer in tact," warns Gerold Bührer, manager of mutual funds for Union Bank of Switzerland in Zurich. "We're in a period where the risks are very difficult to measure."

Indeed, almost two months after the world's stock markets plunged in response to the historic 508-point decline in the Dow Jones Industrial average, the depth of the Oct. 19 disaster have yet to be measured with certainty. The October carnage wiped out about \$1.7 trillion of shareholder wealth worldwide, according to Salomon Brothers. But the economic consequences remain largely unknown.

Nothing better demonstrates this uncertainty than the distinctly conservative tone of global portfolios as investors prepare for 1988. Despite scattered indications that equity markets may be stabilizing, most money managers and investment strategists have shown little inclination to reduce the cash or bond portions of their portfolios.

Jane Hakham, who manages global equity portfolios for Gartmore Fund Management in London, has raised the cash portion of her funds to a hefty 30 percent. At the beginning of October, her cash allocation was about 8 percent. "In the short term, it's a good idea," she says. "This way I can put money into markets gradually when they show some improvement."

Thomas Robinson, chief international investment strategist for Merrill Lynch, tells his clients that about 20 percent of their portfolios should be in cash with the rest divided equally between stocks and bonds.

UBS, says Mr. Bührer, believes cash and bond exposure should be 62 percent or higher.

At Nomura Capital Management Inc. in New York, president Takeo Nakamura has about doubled his normal cash holding to 9 percent and reduced the equity portion of a global portfolio to 33 percent from 38 percent. Bonds account for 53 percent of the portfolio, with five percent held in gold.

The heavy emphasis on fixed-income instruments reflects the belief that interest rates will continue to drop worldwide—at least in the near term—as central banks try to contain recessionary pressures and stabilize the dollar. "We will see a more stimulative style in Japan and Europe," says Mr. Bührer. "The central banks will have to compromise more."

With this in mind, some money managers perceive a certain degree of safety in European stock exchanges. This is especially true for the London market, which was among the hardest hit during the October crash and could benefit from a liquidity-driven rally early next year. Moreover, Britain's economy looks sound, while sterling appears relatively

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AP Wirephoto

Traders scrambled to record sales Oct. 22.

NEW YORK:

Amid gloom, some see hope in exports.

It has been a long while since Wall Street has been this gloom. Only four months after the Dow Industrials Average soared to 2,722, the question now is whether it will manage to close the year above 1,895, where it started last January.

As if talk of recession was not worrisome enough, year-end tax selling is expected to test the market in the next few weeks when investors try to wring some modest compensation for their losses during the last few months.

"There is a lot of uncertainty," says Steven Einhorn, co-chairman of the investment policy committee at Goldman Sachs. "For now, the market is not a terribly hospitable place to be."

While Mr. Einhorn does not expect large declines in stock prices, he sees few opportunities when comparing stocks with cash and short-term bonds. "The best I can offer for next year is a do-nothing market. I

Continued On Page 8

LONDON:

The good news is a strong economy.



K. Inglis

Around the City of London financial district these days, a single phrase has become virtual chant: "Cautious optimism."

The reasons for caution are obvious. No investment adviser who wants to be taken seriously could counsel otherwise given the losses U.K. stocks have sustained. On Dec. 3, the financial Times-Stock Exchange 100 Share Index stood some 31 percent below its mid-July peak.

The optimism flows from confidence about the U.K. economy. The go-go recovery years may be gone, yet the economic outlook remains fairly upbeat.

Though forecasters have scaled down estimates to reflect about a £40 billion cut in financial wealth after the plunge in share prices, they still see inflation-adjusted growth next year of 2 to 2.5 percent. While that would be down from estimated growth of 3.5 percent to 4 percent for 1987, it is a respectable performance by British standards.

Continued On Page 8

EUROPE:

Currency turmoil deepens pessimism.

Though Continental stock markets have been asserting their independence in recent years, the October plunge has convinced brokers and fund managers that the fate of these bourses in the coming year will be tied to forces beyond their local control.

Most of these forces—psychological and fundamental—will likely be negative, putting further pressure on markets that have incurred declines of 30 to 40 percent over the last few months. Some of these markets were already on the ropes when the Oct. 19 punch hit.

In particular, the dollar's latest plunge will likely rob European economies of important export sales, producing lower corporate earnings while cutting economic growth to stagnation levels at best. Investors are being advised to play Continental equities as defensively as possible, with the best bets likely to be found in utilities, chemicals, pharmaceuticals, insurance and food stocks.

Roger Hornett, European equities manager at James Capel & Co. in London, warns against a false rally in the months ahead that could trap unwary investors in another sharp fall later in 1988. The next meeting of the G-7 nations and a realignment of the European Monetary System could well spark a rebound in the short term. But when that rally arrives, he says, "It'll be a raging bear—as grizzly as they come."

Continued On Page 8

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PROFILE



Richard Tomblin

Templeton's Mark Mobius.

Mining Asia's Small Markets

By Patrick L. Smith

SCARCELY a few months ago, Mark Mobius was a picture of frustration. As managing director of Templeton Investment Management (Hong Kong) Ltd., the steep rise of indexes and earnings multiples from Seoul to Bangkok and Singapore was more than a deep sense of discouragement; it was something closer to a career hazard.

As president of the Templeton Emerging Markets Fund, Mr. Mobius is strictly bound by the investment philosophy for which John M. Templeton, who founded the mutual fund group bearing his name, is widely known: a stock's intrinsic worth is primary, and speculative potential counts not at all.

Given these guidelines, Asia's small markets had become almost impossible to play by last summer, Mr. Mobius says. Indeed, by September—six months after Emerging Markets was launched, a month prior to Black Monday—46 percent of the fund's \$110 million in assets was still in the bank.

"I looked at the Asian markets and found that the value just wasn't there," says Mr. Mobius, 51. "We were having a tough time investing anywhere."

Those days are now over, however. By year-end, Mr. Mobius says with evident satisfaction. Emerging Markets will be fully invested for the first time. And as a measure of where he thinks value is most attractive, Asia's weighting moves from 50 percent of Emerging Market's assets to more than 70 percent.

Not surprisingly, perhaps, Mr. Mobius greeted October's global debacle with something less than total chagrin. Although the American Stock Exchange-listed, closed-end fund took its knocks—net-asset value went from an Oct. 8 high of \$10.73 a share to \$7.50—the collapse in prices was the break he had been looking for all year. Last week, the fund was trading at about a 20 percent discount to its net asset value.

"We thrive on this kind of thing," Mr. Mobius says. "I'm not saying we're in for another boom, but it's going to be a pretty respectable year."

Given the increasing prominence of Asian markets in the global equities phenomenon over the past few years, Mr. Mobius is a near-perfect manager for the Emerging Markets Fund. Since earning a doctorate in economics at the Massachusetts Institute of Technology in 1964, he has spent almost his entire professional life in the region.

On joining Vickers de Costa's Asian team seven years ago, he opened the firm's Taiwan office—one of the first foreign branches permitted by the Taipei government. He then headed International Investment Trust Co. Ltd., the first fund through which overseas investors could enter the Taiwan market, until joining Templeton last year.

Why is Mr. Mobius bullish on the region when most colleagues are making fundamental changes in their Asian investment strategies? The perspective is long term, for another thing, as it is for all Templeton managers. For another, Mr. Mobius is optimistic about the growth outlook even in the immediate term.

"Stocks have simply fallen too far out here," he says, "and economic conditions are better than many seem to think. I don't see a U.S. recession, but if there is one, it won't last long."

Apart from steady demand from the United States,

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Euromark At a Glance

Euromark Yields

Weekly Sales

Libor Rates

Inventory Bond

Review

Trading

WestLB

Strategies for '88 Stress Preservation Over Performance

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insulated from the turmoil in currency markets.

For his U.S. investors, Merrill's Mr. Robinson recommends that British stocks account for 28 percent of their foreign portfolios, about double the normal weighting. On the Continent, he suggests a 24 percent exposure.

Ms. Hakham is similarly upbeat about London. She has about 20 percent of her assets in Britain and about 15 percent to 20 percent spread about other European markets. "Europe may not be exciting, but it's relatively safe," she says.

Even though the Japanese economy may prove to be the strongest in 1988, Ms. Hakham still believes Tokyo is too expensive. Only between 4 percent and 5 percent of her assets are committed to Japanese equities.

Mr. Bührer also believes the market is pricey. "In a world of higher risk," he says, "I prefer to underweight Japan even if we have to underperform in the near term."

In contrast, Wallace Wormley, manager of Prudential-Bache's Global Fund, is more enthusiastic. "Japan has held up better than other world markets and looks very strong on a macroeconomic level," he says. He has allocated 50 percent of his assets to the Pacific basin.

Caution clearly reigns when it comes to U.S. equities. Many fund managers and investment strategists expect the dollar to show some resiliency next year, but gauging the severity of the expected economic damage that should become obvious in 1988 is more difficult.

"I want a greater comfort level before committing myself," says Mr. Wormley. Ms. Hakham, who currently has no U.S. stocks in her portfolio, sums it up simply: "If the U.S. market goes up, why shouldn't other markets go up even more?"

As for smaller markets, which displayed surprising strength ahead of October's drop, investors appear less venturesome.

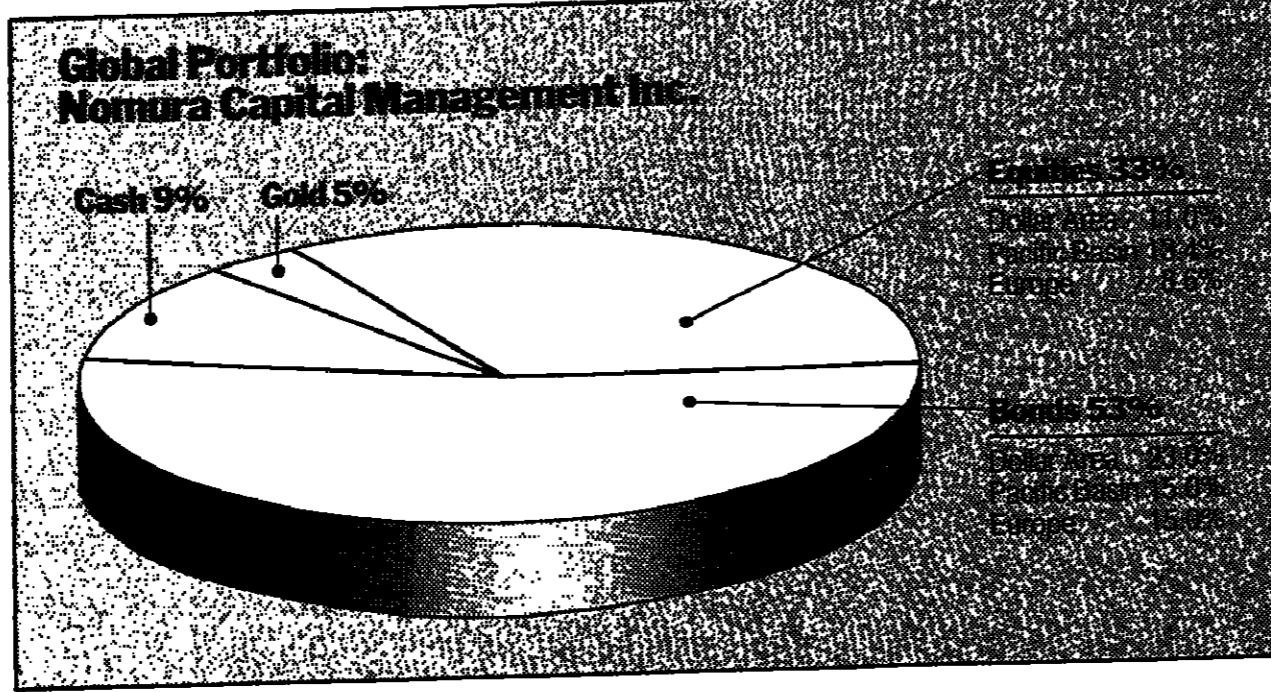
Concerned about the prevailing volatility in the markets and fearful that another sharp sell-off could trap them in difficult trading situations, many investment strategists now seem to place a premium on a market's size and liquidity.

This approach is similar to the so-called "flight to quality" strategy that emerged in equity markets around the world immediately after the crash as investors sought out big, liquid stocks.

Salomon Brothers believes this trend will benefit Japan and the United States, which have market capitalizations of \$2.6 trillion and \$2.3 trillion, respectively. Britain, with a market capitalization equivalent to \$645 billion, is also seen as a major beneficiary.

Some analysts still cite Hong Kong's decision to shut down for a week after the crash as a reason for caution when investing in this market even though it has generated strong returns up until October. They also express uneasiness about Singapore, which bore the brunt of foreign selling after Hong Kong closed.

Moreover, recent statements by U.S. officials condemning economic policies of those two small Asian nations, as well as those of Taiwan and South Korea, have raised concerns that their export-led economic growth may suffer next year.



NEW YORK:

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think we can protect the lows of October, but that's not compelling enough to recommit to the market."

Bearish strategists warn that even good economic news will do little to revive the market next year. John Connolly, chairman of the investment strategy at Dean Witter Reynolds, expects corporate earnings to go up sharply in the final half because of tax cuts. But, he says, the market probably will not respond.

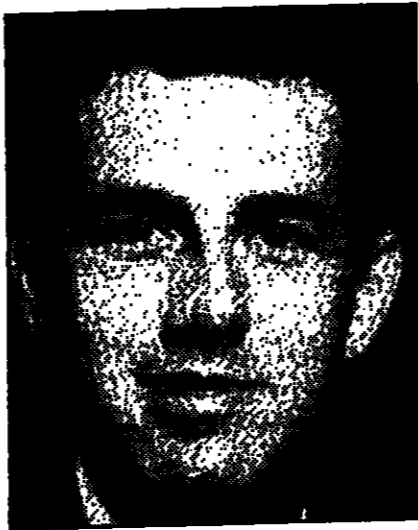
"There is going to be a recession, and the market knows that," Mr. Connolly says. "The question that remains is when."

The Dow could easily see new lows in 1988, he cautions: "Anything that happens between now and the actual recession is a prelude. It doesn't really matter."

Investor psychology may well get caught in the crosscurrents of next year's presidential campaign. Says Mr. Einhorn: "If a candidate who is viewed as negative for business picks up in the polls, it could be a negative for the market. Likewise, a pro-business candidate could cause a positive reaction."

Some strategists have a less bleak scenario. They say stock prices had risen beyond reasonable economic expectations last summer. The decline in October, they say, brought prices to more realistic levels. The result will be to reduce economic growth to a more sustainable pace, thus avoiding a severe recession.

"The problem with the markets in the U.S. and elsewhere wasn't a basic change in economic activity. The markets just got way ahead of themselves," argues Michael Shearman, chairman of investment policy at Shearman Lehman. He believes the Dow could top 2,000 by next summer and possibly go as high as 2,200.



Steven Einhorn.

"Worldwide, markets have been filled with fear and confusion that is causing emotional aftereffects," says Martin D. Sass, president of M.D. Sass Investors Services. "Once we get into the new year and can assess the impact of the crash on the economy, we'll see that the fears of economic decline were overblown."

When emotions simmer down, Mr. Sass maintains, foreign investors — credited as a driving force both in the growth and crash of the market in 1987 — will come back. But they will be reluctant until the dollar stabilizes.

"Foreigners have been burned and they are not going to rush back," says Jack Laporte, vice president and portfolio manager of T. Rowe Price in Baltimore, which manages \$13 billion in mutual funds. On the other hand, Mr. Laporte notes that the decline in the value of the dollar will continue to cast U.S. companies in an attractive light for foreign takeovers.

Technical analyst Robert Prechter, the Gainesville, Georgia-based editor of the Elliott Wave Theorist newsletter, sees 1988 as a choppy year, with a final lull in the fourth quarter. He expects the Dow to regain 35 to 65 percent of its 1987 decline in a rally that could run six to 12 months. The aftermath, though, will be brutal, he says. "There will be at least 2 years of relentless decline."

This last-year rally will be a great opportunity for nimble investors to buy and sell blue chips, Mr. Prechter says, but less experienced players should sit it out with cash. "It won't be a 'dart board' rally," he warns.

Stockpickers who rely on fundamentals recommend export-oriented manufacturing and industrial companies that are likely to benefit from cost-cutting and a lower dollar in the months ahead. "It's the only theme that applies to a market I basically don't like," says Mr. Connolly. Issues such as Caterpillar Tractor Co., Dow Chemical, Temple-Inland and Phelps Dodge get his cautious nod of approval.

Mr. Sass concentrates on the hardest hit sectors, including economically sensitive issues with international business. His favorites include IBM and smaller niche computer outfits such as Apollo Computer and Prime Computer.

Similarly, George Vanderheiden, a portfolio manager of Fidelity's Destiny I and II funds, is looking at firms like Caterpillar Tractor Co., Raychem Corp., International Paper Co., National Semiconductor Corp. and Texas Instruments.

Mr. Laporte at T. Rowe Price is looking for value in secondary stocks, the segment that has been devastated in the market this year, particularly since the crash. Secondary stocks have underperformed the S&P 500 and large-company stocks since 1983, he says.

"This cycle will end in 1988. Blue chips have substantially outperformed the rest of the market, which is likely to continue in the short run," he says. "But there will be a turning point next year when blue chips stop performing and secondary stocks will start." Liz Claiborne Inc., Service Corporation, LIN Broadcasting are a few companies he finds attractive.

Cynthia Catterson

TOKYO:

Continued From Page 7

slowed; financial stocks and asset plays seemed to be everyone's favorite speculative targets.

All this ended at midyear, when the economy started to strengthen. Powered by an unexpectedly strong jump in housing construction and personal consumption, manufacturing and industrial companies began reviving. Market sentiment quickly shifted to earnings-driven issues.

"This took everyone by surprise," says Timothy Schilt, research director at Morgan Stanley International Ltd. in Tokyo. "You had a fundamental shift in market leadership, and it gave prices a big push through the summer months."

Tokyo followed New York and other markets downward in October — the event is known as "Black Tuesday" in Japan, since prices fell a session after the Big Board's 508-point debacle. But the drop of about 13 percent to current levels was far less drastic than the declines elsewhere, and the sense of stability in the market now is far greater.

Although the market is expected to remain flat at least into early 1988, overall economic growth forecasts for next year are at about 4 percent. Domestic growth will be slightly faster and could top 5 percent, analysts say. Corporate earnings are expected to advance by 15 percent or so; for manufacturers, the range is between 20 percent and 30 percent.

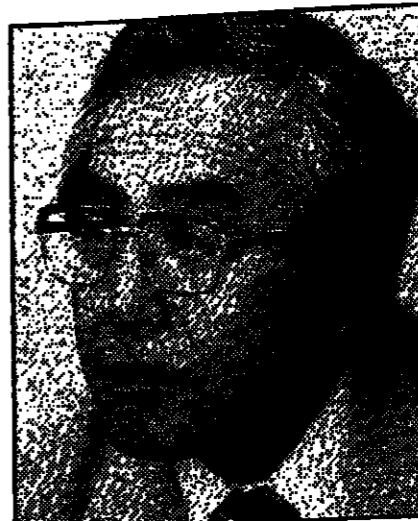
"In the near term, activity is unlikely to pick up significantly," says Hisamichi Sawa, first vice-president at Prudential-Bache Securities (Japan) Ltd. "But the market will move higher before next summer, and the driving force will be improvements in corporate profits."

Nonetheless, there are some significant unknowns. Chief among them is the direction of the liquidity flows that continue to help support the market.

Several factors appear to be undermining the so-called *zaitech* strategy, by which corporations diverted revenues from fixed investment into financial assets. *Zaitech* investment into financial assets, Zarech investors have been increasingly skittish since the Tachibana Chemical Co., a medium-sized manufacturer, disclosed market losses of some \$200 million last September.

Black Tuesday also played its part, market analysts say. Many *zaitech* players, including some of the nation's most revered corporate names, are now believed to be sitting on substantial unrealized losses, although none has been disclosed.

Most important, however, is the economic



Nobumitsu Kagami.

resurgence itself. There are signs that major corporations are reinvesting in productive capacity again to stay competitive in an environment of strong domestic growth.

"A lot of companies must be thinking about whether *zaitech* is something to continue engaging in," says Nobumitsu Kagami, managing director of Nomura Investment Management Co. "We already see a gradual shift of funds from financial assets to real assets."

Not surprisingly, fund managers are looking chiefly for stocks with high earnings potential, low multiples and a substantial exposure to the domestic economy. The sectors most favored: retailing, machinery and machine tools, electronics on a selective basis and housing-supply industries.

Unlike most analysts, Ron Napier, a senior analyst at Salomon Brothers Inc. in Tokyo, favors financial issues because they, too, now have multiples in the mid-20s and because 1988 will be a significant year for financial deregulation in Japan.

He mentions Nomura among the brokers and the two big Japanese trust banks, Meitoku and Sumitomo, among others. As always, the sector is also a play on the market itself.

"If you believe in Japanese crashes, stay out," Mr. Napier says. "If you think the market's coming back, they can be very good buys." □

Patrick L. Smith

EUROPE:

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"The lows we've seen so far will be tested again," he says. "Anyone buying now might well find that there is a lower price to be achieved on major markets."

Hardly more optimistic is Tony Thomson of American Express Asset Management in London. "The French have a word for it: *marasme*," he says.

Whatever happens, Europe's bourses will be left largely to local investors, say the professionals. Big, foreign institutional investors found it difficult to exit from European markets when the crash hit and will be slow to return, the reasoning goes.

"You had a situation where for a couple of weeks liquidity just about disappeared in the Continental stock markets," Mr. Thomson says. "They were grid-locked. There was a day where there was no market-making in German stocks. And that's the fourth-largest stock market in the world."

While the Oct. 19 plunge caused liquidity problems around the world, they were more

severe on the Continental markets because "there are no natural buyer groups" to come to the rescue when a sell-off occurs, Mr. Thomson says. Pension funds, he notes, are not a factor in Continental exchanges, while German and Swiss insurance companies "consider themselves daring" if they allow equities to represent more than a few percentage points of their portfolios.

The strategy of Peter Hadden, a pension fund investment manager at Ivory & Sime in Edinburgh, is typical of the investors who remain. "We're now reorienting defensively, coming out of economy-sensitive and currency-sensitive stocks such as consumer durables and autos, while adding those stocks where there's a clear visibility of earnings growth over the next few years," he says.

Export-dependent stocks in Germany, Switzerland and the Netherlands are seen as the most vulnerable. These companies will feel the effects of the lower dollar in their sales and profits in North and South America and the Far East. Further complicating their outlook has been a recent 2 percent-plus rise in their home currencies against the Latin currencies, particularly the French franc and Italian lira.

Not surprisingly, the stock market declines in Frankfurt, Zurich and Amsterdam since Oct. 16 have been more severe, ranging from 29 to 31 percent, than in Paris, Milan and Brussels, which ranged from 11 to 21 percent. Rainer Decker, analyst with Commerzbank in Frankfurt, says German chemical and pharmaceutical stocks — including BASF, Bayer, Hoechst — should prove to be solid defensive stocks.

Mr. Thomson's defensive picks include Vebe and RWE, utility stocks. In Switzerland, defensive plays on Mr. Hadden's list include insurance groups Swiss Reinsurance, Zurich Insurance and Winterthur as well as coffee and confection group Jacobs Suchard.

On Amsterdam's market, Mr. Hadden believes National Nederlander, the insurance group, should show earnings growth next year. Unlever, though pricey, "still has to be a core holding in any European portfolio," he says.

For the Paris market, Mr. Hornett of James Capel sees the CAC bourse index ranging from a high of 325 to a low of 260 in the year ahead. In early December it was hovering around 295. "I was expecting economic growth in France of 2.2 percent," Mr. Hornett says. "Now I'd be very surprised to see growth over 1 percent."

"If you have to be in France," Mr. Hornett says, the most defensive plays for 1988 will be utilities such as Générale des Eaux and Lyonnaise des Eaux, food group BSN and the retailer Carrefour.

Jerome Labin, analyst with Jean-Pierre Finatton, a Paris broker, believes communications stocks such as Hachette and Havas may be good bets, especially if a recession develops. Television broadcasters TF-1 and Canal Plus are particularly attractive, he says.

"It's black humor, but in a sharp recession, people stay at home and eat yogurt in front of their TV," he reasons. "They want to dream and laugh, not think about reality. In the '30s it was cinema, but in the '80s it will be TV."

London-based investment analysts were particularly wary of Italy's stock market in the year ahead, pointing to political uncertainties and its export dependence on Germany, which buys for 40 percent of Italian exports. A no-growth scenario in Germany, they say, would also batter Italy.

Mr. Valeri is projecting economic growth of at least 2.2 percent, which he said should aid the companies involved in the domestic market. Good bets, he said, are insurance companies Generali and Assitalia; cement producer Italcementi; coated-paper maker Bargo, and utilities SIP and STET.

"I'm not bullish," Mr. Valeri said, "but for the short term I think that Italy is better off than the other European markets." □

Jacques Neher

LONDON:

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"All we're saying is that growth will slow from being considerably above the average for the postwar period to being slightly below the average," explains John Young, an economic adviser to Lloyds Bank. Lloyds' appraisal places U.K. gross domestic product at 2.2 percent in 1988 and other see it as high as 2.5 percent. Growth looks even better if the drag of North Sea Oil operations is excluded.

The expanding economy means British companies should be able to manage a 10-percent increase in earnings next year, figures Kenneth Inglis, research director at Phillips & Drew. That is only marginally lower than the average growth of 14 percent from 1982 through 1986.

"My view is the market will recover its poise," says Mr. Inglis. The test, he says, will be whether the market can develop some independence from Wall Street and focus on the positive factors at home.

Moderate inflation is one factor that should help the market regain its equilibrium. Sterling's strength, especially against the sinking dollar, will tend to keep import prices in check and inhibit wage increases. "I'm fairly unconcerned about the large increases in wage costs in the U.K.," says William Ledward, an economist at Merrill Lynch in London. "The British worker is poorly paid."

The government estimates inflation will pick up to 4.5 percent in 1988 from about 4 percent at the end of 1987. Even the private economists who agree the 1988 inflation rate will exceed 1987's believe the government is much too pessimistic.

A further spur to the economy comes from interest rate reductions by British banks this autumn, which is expected to prop up consumer spending. "I'm encouraged by the fact the Chancellor [of the Exchequer Nigel Lawson] has reduced interest rates," Bill Martin, an economist at London-based stockbrokers Phillips and Drew, says. "On the whole, we're steering the right course."

Consumer spending also may benefit from the government's budget, which is unveiled the second week of March. With tax revenue flowing in at a healthy clip and the government's borrowing requirement low, the odds are in favor of lower income taxes. Many analysts expect the 1988 budget to include a reduction of about two pence from the basic rate of 27 pence per pound.

Worries about the U.K. economy center on trade. The current account deficit probably will worsen next year, economists say, as the appreciating pound raises the cost of British exports to foreign buyers. If, as widely expected, the dollar drifts lower, exports to the United States would sag. About 15 percent of

British exports go to the United States, Britain's biggest single customer.

By the end of next year a pound could hit \$1.90, up from about \$1.68 currently, analysts say. At the same time, imports of machinery and other capital goods could rise to support an anticipated increase in investment.

The stockbrokers James Capel & Co. project a 1988 current account deficit of £3 billion, nearly double the £1.6 billion forecast for all of 1987. However, viewed as a proportion of gross domestic product, the deficit appears less threatening at just 0.5 percent of economic output. In any case, a big deficit would hardly surprise the market, and sterling has stayed strong regardless.

The combination of optimism about the United Kingdom and uncertainty about what will happen in the United States and elsewhere has encouraged investment strategists to focus on domestically oriented stocks, especially ones with recession-proof features. Prominent entries in that category are brewers and food retailers.

"In difficult times, people still tend to go to the pubs. And one doesn't cut one's consumption of food," observed Alex Lyle, who manages the £400 million Accumulator unit trust for Allied Dunbar. "As a general rule one is looking at the more defensive areas of the market."

Stocks such as the brewer Bass and food purveyor United Biscuits are among Mr. Lyle's picks. So-called comeback stocks have caught Mr. Lyle's eye as well. Saatchi & Saatchi, for instance, was battered hard before and during the crash, so the stock stands a good chance of rebounding, he reasons.

Money managers are particularly keen on quality stocks with hefty, secure dividends. "With the markets having fallen so much, U.K. companies are beginning to look quite attractive, very good value," notes Richard Hughes, a unit trust manager at M&G. Among his selections are Midland Bank, Trafalgar House, engineering firm Hopkinson Holdings, insurance brokers Steel Bullion Jones and cleaning concern Sketchley.

Mr. Hughes says a promising sign for the markets is the continued interest of corporate suitors in takeover targets. The bidding battle for MK Electric and Granada's quest for Electronic Rentals are just two examples.

Peter Holland, whose management duties for Fidelity include the Famous names unit trust, also emphasizes domestic earners with sound management. His approach favors Beecham, British Airways, Cadbury Schweppes, General Accident, the drug company Wellcome, F.H. Thompkins and Williams Holdings.

Marybeth Nibley

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GOLD

Coin Sales Soar Despite a Hesitant Gold Market

The mints are working hard to meet demand

By Cynthia Catterson

THE gloom that has clouded the stock markets since October has swelled the ranks of investors in bullion coins. But while precious metals prices have been unable to sustain much of a rally in the wake of the Oct. 19 debacle, most believe the interest in coins will continue.

Worldwide sales of gold coins increased fourfold in the two weeks following the collapse to more than 500,000 ounces, the Gold Information Center reports. Sales of the U.S. Silver Eagle coin, the current market leader in silver bullion, were even more dramatic. The U.S. Mint says sales rose from 100,000 ounces in the two weeks before the market drop to more than 600,000 ounces in the two weeks afterwards.

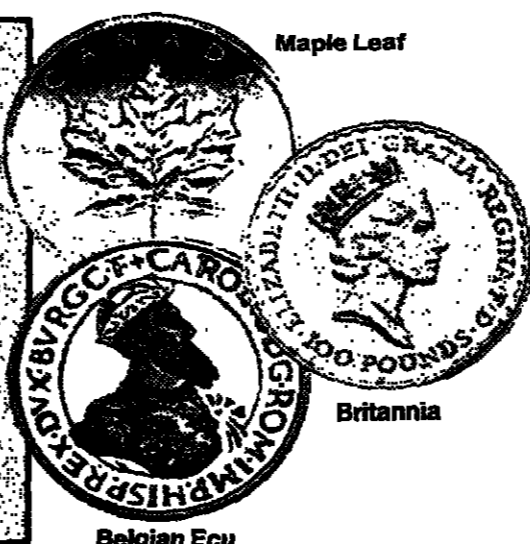
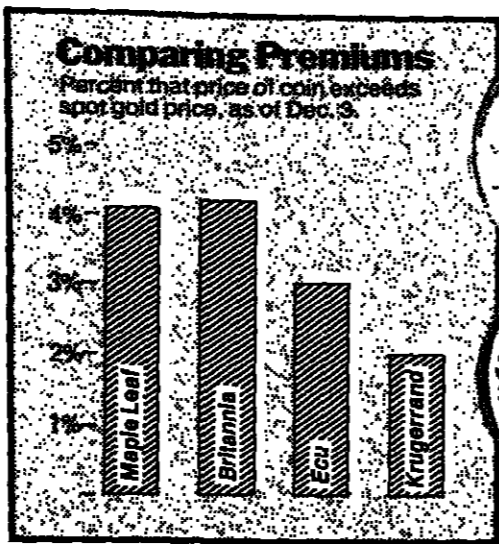
In the absence of another crisis in the financial markets, few metals experts believe the recent high level of demand for coins can be maintained. After all, precious metals prices have been unable to sustain much of a rally in the wake of the Oct. 19 debacle. But most believe the interest in coins will continue.

Stephan Gotwald, vice president at GoldCorp Australia, the government mint, says overall sales of the Australian Nugget have surpassed 300,000 ounces since that coin's introduction last April 23. "It seems certain that sales will exceed our annual forecast of 400,000 ounces," he says.

In large part, the popularity of precious metals coins reflects the desire of investors to diversify their portfolios. And the uncertainties surrounding the financial markets has apparently accelerated purchases. "Precious metals are traditionally seen as a safe haven in turbulent times, and for small investors coins are the easiest way to invest in metals," says Alan Posnick, vice president at Manfra, Tordella and Brookes, a New York coin dealer.

Nowadays, many money managers routinely recommend that an individual's portfolio contain gold. Allocations range between 5 percent and 15 percent of total assets even though precious metals prices are still uncertain.

Indeed, metals analysts are hesitant to make any solid projections for metals prices in the coming year until they have a better grasp of the economic indicators. "It's a difficult time right now to have any unshakable views," says Steve Chronowitz, vice president of futures research at Smith Barney.



know that your coin will be accepted anywhere," he says.

Although the major coins account for 95 percent of the market, other coins continue to draw some attention.

Trading at a much higher premium, yet still appealing because of its numismatic qualities, is the Chinese Panda. "The design of the coins change each year and they are minted in limited editions," says Mr. Posnick at Manfra, Tordella and Brookes. Premiums on Panda coins have ranged as high as 20 percent.

The half ounce Belgian Ecu was introduced about 3 months ago and carries about a 4 percent premium. Preliminary sales of the European Currency Unit coin are strong, experts say, because of the keen interest of collectors in new coins. Moreover, low weight coins are more affordable to individuals. Still, dealers doubt the coin will rival the current major bullion coins.

While dealers say that the new bullion coins introduced this year have helped to widen the coin investing market, they question how much room is left for new entries.

Bruce Kaplan, senior vice president at A-Mark Precious Metals, in Beverly Hills, California, suggests that the going could get tough for the Britannia coin, for instance, once the novelty wears thin.

"It's going to be a rough upward battle for the Britannia because the Eagle and the Maple Leaf are already entrenched and backed with large promotional budgets," says Mr. Kaplan. He estimates that the Britannia will capture roughly 4 to 5 percent of the world market after its first year.

"Quite clearly we have seen the saturation point for new coins," adds Deutsche Bank's Mr. Plass. "Unless someone has a brilliant idea for something new. For now everyone has their me-too products and I think the market is satisfied."

He believes gold has the potential to rise above the \$500 level, perhaps approaching \$600 during 1988. Silver, whose role as an industrial metal tends to be emphasized when there are economic concerns, has weakened. But Mr. Chronowitz reckons that prices could move to the \$8 area, if there is no recession.

"At this point everything is up in the air," agrees Bernard Savaiko, senior precious metals analyst at Paine Webber. He believes gold prices will gradually move higher as the U.S. dollar continues to decline. "It has a chance of testing \$510, and going perhaps as high as \$580 before the end of next year," he says.

As for silver, he cautions that prices could be depressed, perhaps to as low as \$3.50 per ounce, if there is a recession. If not, prices could move up to \$7.50 or \$8 by the end of next year, he says.

Demand has been strongest for the coins minted by the United States, Britain and Australia, all of which launched national bullion coin programs this year. The Canadian Maple Leaf, the oldest among the popular coins, is also selling well.

For the most part, a coin's attractiveness is gauged by its "premium," the price it commands above its gold content. Fritz Plass, senior vice president at Deutsche Bank AG in Frankfurt estimates that the four most popular coins trade at roughly the same premium, which ranges between 5 percent and 6 percent above the price of gold.

The South African Kruggerand's premium is about 2 percentage points lower than the other four, but many investors have shied away from the Kruggerand because of political concerns. Moreover, prohibitions on new sales in countries like West Germany and the United States and the possibility of future bans create serious resale problems.

Still, Mr. Plass says that there is an active secondary market for the coin. "After the Maple Leaf, the Kruggerand is tied with the Britannia in turnover sales, followed by the Eagle and Nugget coins, in third and fourth place."

Now that South Africa has stopped minting the coin, Mr. Plass says the political repercussions are moot. "But for investors looking to build a nest egg with gold, the savings on the premium is not worth the risk," he says.

John P. Norris, vice president and head of precious metals trading at Citibank, agrees. "You want to

How Pure Is Pure?

Next to liquidity and premiums, factors such as design and purity come into play when choosing a coin. The Canadian Maple Leaf and the Australian Nugget are 0.9999 percent pure gold. But the Eagle, Britannia and Kruggerand have a 0.9167 purity because a copper and silver alloy has been added to harden the coins. The purity of the Belgian Ecu is 0.9000. Although the differences appear slight, the purity issue remains at the center of a curious debate among

serious collectors. And the disagreement has yet to be resolved. Those who favor the less pure coins argue that these gold pieces are more durable than the so-called "4.9999s." The purists, however, insist that coins with the highest gold content maintain their premiums over time. Alloyed coins are less valuable on the resale market, they say, because of melt-down costs associated with removing the other metals.

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PROFILE

Mining Asia's Small Markets

Continued From Page 7

Asia's largest export market, Mr. Mobius also expects Japan to play a direct role in supporting Asian equity markets as Japanese mutual funds and institutions acclimate themselves to overseas share ownership.

"The Japanese are only beginning to get their feet wet in foreign equities," he says. "The collapse won't necessarily accelerate this, but these markets are becoming steadily more attractive to them anyway."

Seoul and Taipei — markets Mr. Mobius avoided assiduously earlier on — are now his favorites in the region. The Taiwan Stock Exchange is off 42 percent from its high this year. Although the Korean market has fallen only 6 percent, Mr. Mobius is interested in convertible bond issues such as Samsung's, which have dropped much further.

Most of his effort, however, has been toward finding indirect plays in these two markets, since direct investment by foreigners is banned. South Sea Textiles, a Hong Kong-listed concern, has recently brought a Taiwan subsidiary into the listed company, for instance.

Another example is Elders DLI, the Australian conglomerate that listed a subsidiary in Hong Kong several months ago. Elders Investment (Hong Kong) Ltd. has two glass-manufacturing units in South Korea. "I don't want to be locked into any of these companies," Mr. Mobius says. "But at the end of the day, Korea and Taiwan are the most dynamic countries in Asia. You've got to be there when you can."

The next target is Thailand, whose economy is entering a classic take-off phase fueled partly by an influx of new investment from Japan and elsewhere. The Securities Exchange of Thailand has fallen 39 percent since its October high.

The stocks Mr. Mobius is accumulating are the familiar blue chips: Bangkok Bank, Thai Farmers Bank, Siam Cement and Industrial Finance Corp. of Thailand. Because of the ceilings placed on foreign ownership of Bangkok shares, buying into such issues in quantity is now possible for the first time all year.

When it comes to Manila, liquidity and depth remain chronic problems. Nonetheless, Mr. Mobius is attracted by Philippine Long Distance Telephone, San Miguel and Philippine International Commercial Bank.

"We're not really interested in whether Mrs. Aquino faces another coup, or whether there's a devaluation," Mr. Mobius says of his Manila investments. "The underlying earning power is there, even if you've got instances when things look rather bad."

Although the Singapore and Kuala Lumpur markets have fallen 43 percent and 38 percent, respectively, from their peaks, Mr.



Mark Mobius: Pre-crash value was scarce.

Mobius remains cautious about them because they are traditionally the priciest of Asia's small markets.

Airline System to the Emerging Markets portfolio. In Singapore, he is only looking.

In Kuala Lumpur, Mr. Mobius is adding Malaysian International Shipping Corp. and Malaysian

"I may start buying at some point," he says. "But the values have simply been too high for us to go in."

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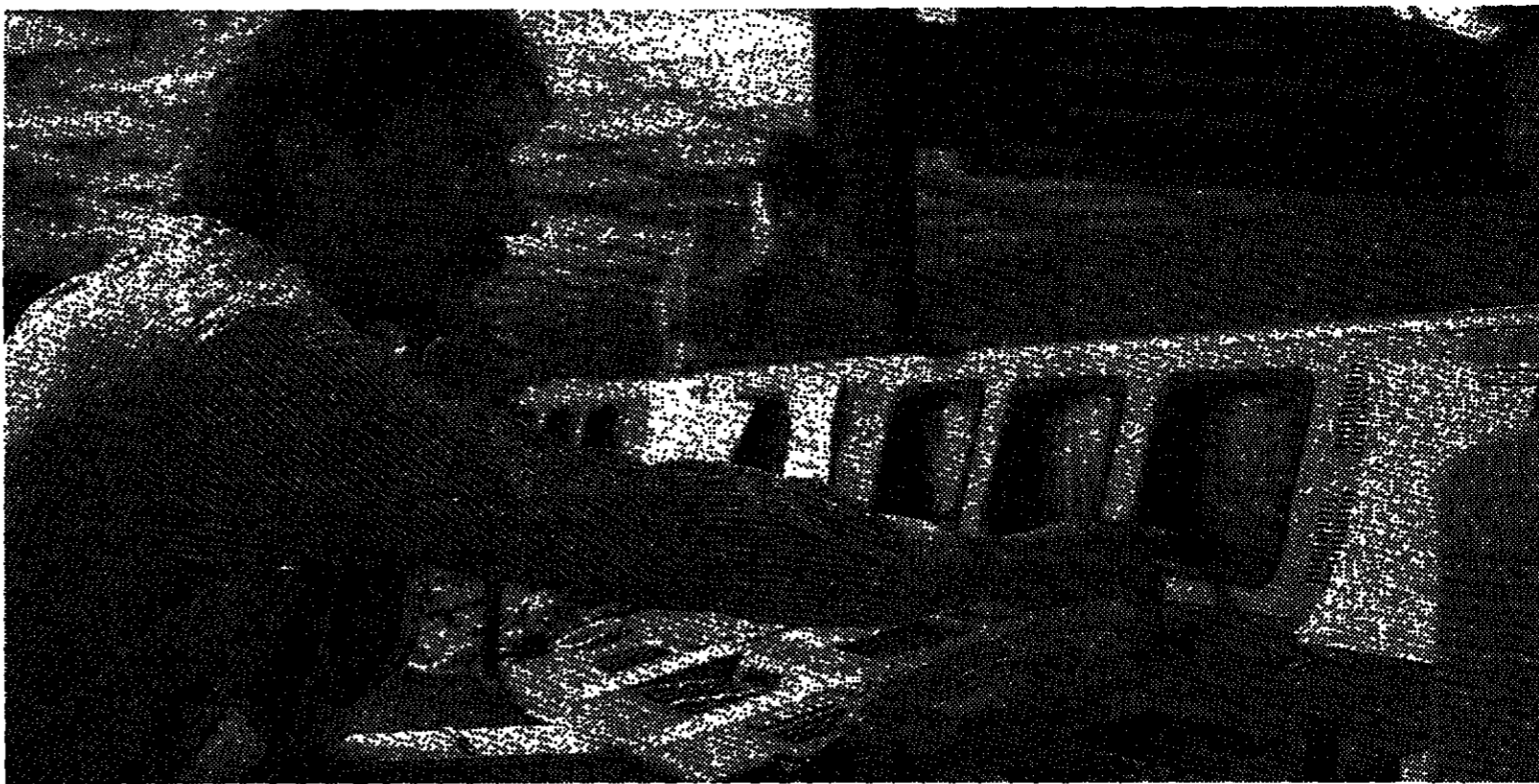
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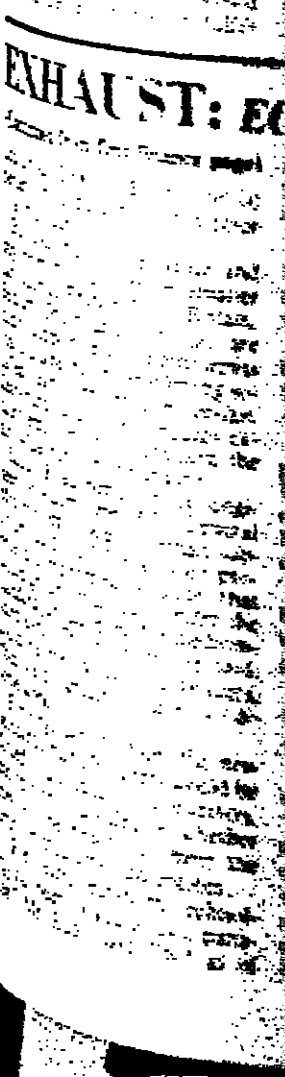
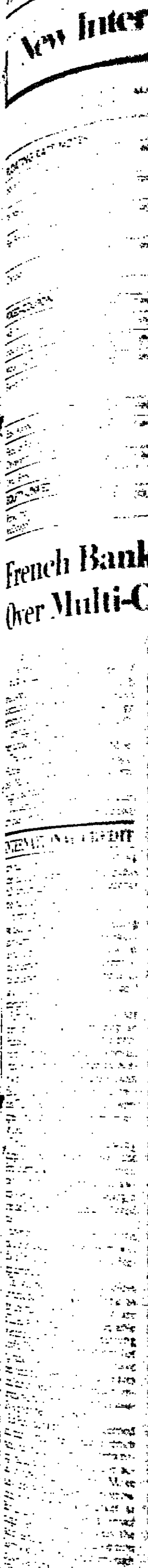
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NASDAQ National Market

OTC Consolidated trading for week ended Friday, Dec. 11

Symbol	100s	High	Low	Close	Net Chg
AAW	88	88	88	88	0
AAE	53	53	53	53	0
ABC	57	57	57	57	0
ABR	56	56	56	56	0
ABT	69	69	69	69	0
ABV	43	43	43	43	0
ABW	55	55	55	55	0
ACB	30	30	30	30	0
ACC	24	24	24	24	0
ACH	14	14	14	14	0
ACI	12	12	12	12	0
ACJ	14	14	14	14	0
ACK	14	14	14	14	0
ACL	14	14	14	14	0
ACM	14	14	14	14	0
ACN	14	14	14	14	0
ACO	14	14	14	14	0
ACP	14	14	14	14	0
ACQ	14	14	14	14	0
ACS	14	14	14	14	0
ACT	14	14	14	14	0
ACU	14	14	14	14	0
ACV	14	14	14	14	0
ACW	14	14	14	14	0
ACX	14	14	14	14	0
ACY	14	14	14	14	0
ACZ	14	14	14	14	0
ADH	14	14	14	14	0
ADI	14	14	14	14	0
ADJ	14	14	14	14	0
ADK	14	14	14	14	0
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ADY	14	14	14	14	0
ADZ	14	14	14	14	0



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New International Bond Issues

Compiled by Laurence Desvignes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price end week, Terms. Includes sections for Floating Rate Notes and Fixed-Coupon.

French Bankers Uneasy Over Multi-Options Rise

By Carl Gewirtz. PARIS — The popularity of multi-option facilities for French companies looking to replace more expensive credit lines shows no sign of abating, despite the large number already marketed.

BONDS: Issue Volume Slips

(Continued from first finance page) to have much appeal, but lead manager Morgan Stanley International said it found substantial demand among retail investors and corporate treasurers.

Italian Bank Sets Purchase In Argentina

AGENCE FRANCE-Presse. BUENOS AIRES — The Argentine government has accepted a bid by Italy's Banca Nazionale del Lavoro to buy one of Argentina's largest private banks, the central bank announced Saturday.

EXHAUST: EC Rules Challenged

(Continued from first finance page) today, there is not a single truly lean-burn car in production in Europe. Europe's automakers have already spent more than \$2 billion on pollution control, according to industry estimates.

Soviet-Bloc Lines Reportedly Want 6 Airbus Planes

BERLIN — The Soviet airline Aeroflot and East Germany's Interflug are negotiating to obtain six Airbus aircraft from Western Europe's Airbus consortium, a West Berlin newspaper reported Sunday.

BRAZIL: State Sector Unyielding

(Continued from first finance page) funds comes from a handful of enterprises that control essential areas of the economy, notably the electricity monopoly, Eletrobras; the steel corporation, Siderbrás; the railway company, RFFSA; and the nuclear energy company, Nuclebrás.

DOLLAR: Interest Rate Debate

(Continued from Page 1) dollar by making dollar-denominated investments less attractive. At the same time, analysts say the Fed isn't likely to tighten credit much simply to give the dollar a lift.

North American Trade Pact Protects U.S. Maritime Sector, Canada's Media

By Clyde H. Farnsworth. WASHINGTON — The United States will continue to protect its maritime industry, and Canada its publishing and film industries, under an agreement aimed at eliminating most restrictions on their bilateral trade by the year 2000.

IMF 'Near' to Expanding Poor Nations' Fund

WASHINGTON — The International Monetary Fund is near agreement on an \$8 billion increase in the agency's pool of funds for poor nations, monetary sources say.

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NASDAQ National Market

OTC Consolidated trading for week ended Friday.

Table with columns: Sales in 100s, High, Low, Close, Net Change. Lists various OTC stocks and their trading data.

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Table with columns: Sales in 100s, High, Low, Close, Net Change. Lists various OTC stocks and their trading data.

American Exchange Options

Figures as of close of trading Friday, Dec 11

Table with columns: Option & price, Calls, Puts. Lists various American exchange options and their prices.

Mutual Funds

Figures as of close of trading Friday, Dec 11

Table with columns: Fund Name, Sales in 100s, High, Low, Close, Net Change. Lists various mutual funds and their trading data.

Mutual Funds

Figures as of close of trading Friday, Dec 11

Table with columns: Fund Name, Sales in 100s, High, Low, Close, Net Change. Lists various mutual funds and their trading data.

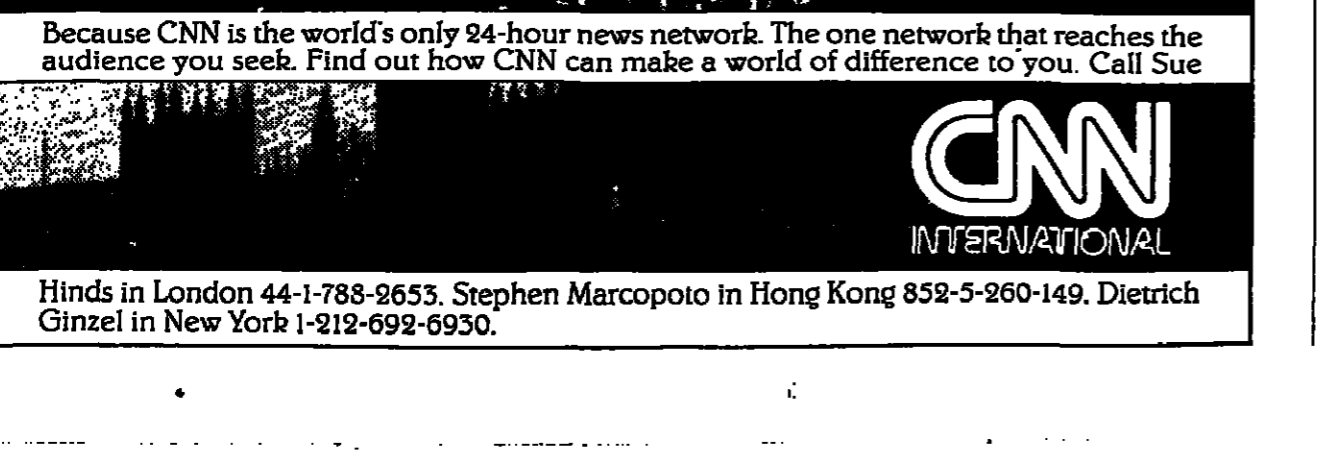
Mutual Funds

Figures as of close of trading Friday, Dec 11

Table with columns: Fund Name, Sales in 100s, High, Low, Close, Net Change. Lists various mutual funds and their trading data.

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BA Strikes Back in Battle With SAS Over Caledonian

LONDON — British Airways, battling to block Scandinavian Airlines System's partial bid for British Caledonian Airlines, has asked the government to revoke Caledonian's licenses to fly its routes. BA made its request Friday to the Civil Aviation Authority after the body approved a £110 million (£201 million) SAS bid for a 26.14 percent stake in Caledonian.

On Thursday, BA raised its own offer to buy Caledonian outright. The new bid is for £200 million; the previous BA offer put a £119 million value on the carrier, which had a loss of £19 million last year.

A spokesman said BA was seeking a full CAA hearing on the question of whether the SAS offer would result in British route licenses passing into foreign hands.

In approving the SAS bid, the body said it would not make BCal a foreign airline. But the CAA's letter to Sir Adam Thomson, Caledonian's chairman, said the panel might change its mind on the question "in light of further argument, should the matter be brought to a public hearing."

BA said in a statement: "If SAS were to acquire a substantial holding in BCal with the potential of control, valuable aviation concessions may have to be given to foreign governments to permit BCal's services to continue."

"Any such concessions would not be in the U.K. public interest," the airline added. "BA considers that the question and implications of potential SAS control should be considered in full hearing by the CAA."

The authority, under the Civil Aviation Act of 1982, may revoke a British carrier's route licenses if it believes control of the carrier has passed into foreign hands.

Sir Adam, Caledonian's chairman, said after the CAA approved the SAS bid: "We are delighted that the entire question of the fu-

ture of BCal will be decided by our shareholders alone."

Investors in Industry PLC, which has a 41 percent shareholding in British Caledonian, said Thursday it would await a recommendation from the airline before deciding which bid to back.

BA wants to take over BCal to create a huge British carrier to take on the U.S. giants. If it succeeds, an estimated 2,000 jobs would be slashed as the airline relinquishes some domestic and European routes, a condition of government approval.

Arco Freed to Buy in Britoil

LONDON — Atlantic Richfield Co., which is seeking to increase its 7.7 percent stake in Britoil PLC, has been given clearance by Britain's Takeovers and Mergers Panel to buy more Britoil shares.

The advisers, N.M. Rothschild & Sons Ltd., said late Friday that approval came soon after the self-regulatory panel's request that Arco stop buying shares until "outstanding matters are resolved." It declined to give details.

Arco said Friday that it bought its stake for 350 pence (£6.40) a share, or £135 million. It plans to raise its holdings to 29.9 percent at the same price, and tentatively agreed with Britoil to increase its stake to 49.9 percent by swapping assets for equity.

Analysts say the Arco purchases are an attempt to prevent British Petroleum Co. from taking control of Britoil. BP last week bought a 14.9 percent stake, and after the Arco announcement said it intended to pay more than 350 pence a share for a total holding of 29.9 percent.

Monsanto, Soviets Near Pact on Venture

WASHINGTON — Monsanto Co. and Soviet officials are discussing a joint venture to produce weed killer and final agreement could be reached by March, according to the company's chairman, Richard Mahoney.

The venture would involve building a large herbicide plant in the Soviet Union, he said Friday.

The joint venture would be one of the most extensive undertaken with the Soviet Union. Mr. Mahoney said it would "test the entire economic system."

Mr. Mahoney was among about 80 American business leaders who attended a meeting last Thursday in Washington at which Mikhail S. Gorbachev appealed for more U.S.-Soviet joint ventures.

Under a law that went into effect last January, foreign companies can hold up to 49 percent of joint ventures based in the Soviet Union. The first joint venture by a U.S. company was announced last month. Combustion Engineering Inc. of Stamford, Connecticut, has signed an agreement with the Soviet state oil company to modernize oil and petrochemical facilities.

Other U.S. companies considering joint ventures include Singer Co., Eli Lilly & Co. and Occidental Petroleum Corp. PepsiCo Inc. will shortly begin operating four Pizza Hut restaurants in Moscow.

Monsanto, which is based in St. Louis, Missouri, would provide capital and technical aid to help the Soviets build and manage a plant making the weed killer glyphosate.

The plant would be about the same size as Monsanto's Brussels plant, which makes the weed killer for Western Europe, Eastern Europe and Africa.

Sotheby's, Citing Market Slump, Delays Stock Offering

LONDON — Sotheby's, the world's largest fine arts auctioneer, has said that plans to sell off nearly a third of its shares are being postponed in the aftermath of October's stock market collapse.

Sotheby's president, Michael L. Ainslie, announced the postponement on Friday.

He said the company's financial advisers "have recommended that we postpone the stock offering given

the unsettled conditions in the stock market and the resulting lack of receptivity to public offerings."

The privately owned group announced in October that existing shareholders would sell 7,208,000 common shares, or 29 percent of the company's capital, in New York and London.

Had the flotation gone ahead, it would have raised about £400 million (£734 million).

Mr. Ainslie said Sotheby's would watch the stock market to decide the timing, size and structure of any future sale.

The share sale would have resulted in the transfer of only 3.9 percent of the company's voting rights, leaving the present owners in control.

A. Alfred Taubman, a developer of shopping malls, won a takeover battle for Sotheby's in 1983.

Chicago Exchange Options

Floures as of close of trading Friday, Dec. 11

Table with columns for Option & price, Calls, Puts, and various stock symbols like Allgas, Alcoa, Amgen, etc.

Option & price Calls Puts

Table with columns for Option & price, Calls, Puts, and various stock symbols like 11, 12, 13, etc.

FREE INFORMATION FROM INTERNATIONAL INVESTOR VII

Herald Tribune

The latest information from the distinguished companies listed in this section are available to you at no charge. Simply circle the appropriate number on the coupon at the bottom of the page before January 28th, or telex the numbers with your return address, and the report(s) will be mailed to you by the companies involved.

ACCOR A HOTEL, CATERING AND SERVICE COMPANY

Accor is a hotel, catering and service company with 40 trade names spanning all major market segments: fast food (Free Time), cordon bleu cuisine (Lendore), contract catering (Générale de Restauration), sea-water spas (Thalassa), restaurant vouchers (Ticket Restaurant), tourism (Africatours), health clubs (Vitalop), wholesale food and equipment (SCAPA). Co-Chairman and Chief Executive Officers: Paul Dubrulle, Gérard Pélissan.

BAYERISCHE VEREINSBANK AG

BAYERISCHE VEREINSBANK AG paid its more than 90,000 shareholders an increased dividend of DM 13.00 (= 26%) for 1986. As a successful commercial and mortgage bank, we have continued to expand at home and abroad. Total assets rose by DM 1.3 billion to DM 80.9 billion in the second quarter, falling short of the year-end figure for 1986 by less than DM 0.6 billion. At mid-year 1987 total assets of the BV Group rose by DM 1.6 billion to DM 141.7 billion. BAYERISCHE VEREINSBANK shares are traded on all stock exchanges in the Federal Republic of Germany as well as in Zurich, Geneva, Basel, Vienna and as of December 1987 in Paris. The bank is active through its branch network in all parts of the world: in the USA (five outlets), in Japan (two outlets), in South America, in China (Beijing), in Hong Kong, in the Middle East, in Africa and in Europe. The number of outlets comes to roughly 400 altogether. Information on BAYERISCHE VEREINSBANK's top-quality shares can be had under our Munich telephone number (089) 3884-8811.

ECONOCOM

ECONOCOM is the industry leader in computer consultancy and implementation. The group is presently operating in 15 European countries, the United States, Canada and Japan with plans for continued expansion to other worldwide locations. To-day Econocom has expanded into all areas of data processing products and services, including maintenance, financing and trading. In only two years Econocom can boast total sales of \$499.6 million and a net profit of \$18.2 million. Stockholders' equity stands at \$144 million.

Europe Intelligence magazine advertisement featuring a horse and rider illustration and text about international news.

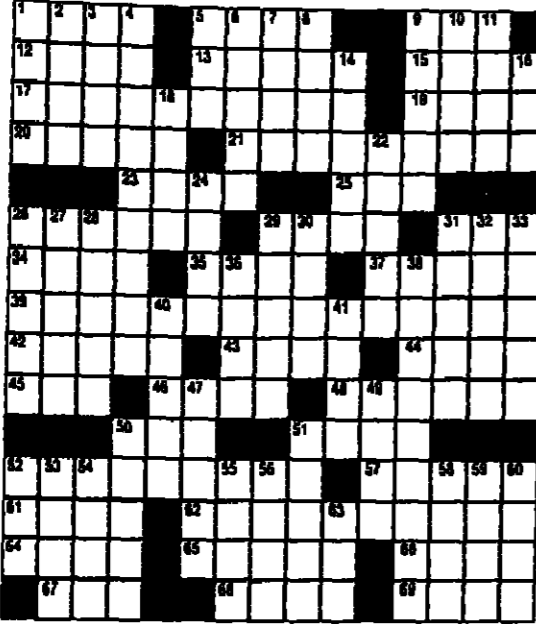
FAX DON'T WAIT ANY LONGER advertisement featuring a fax machine illustration and text about the Harris/3M 111 AD fax.

PHILIPS POCKET MEMO YOUR ELECTRONIC NOTEBOOK advertisement featuring an illustration of the notebook and text about its features.

VEBA AG advertisement featuring the VEBA 86 logo and text about the company's industrial and service organization.

Large advertisement for International Classified, featuring a grid of escort and guide services from various cities like London, Zurich, and Geneva, along with contact information for the Herald Tribune.

SPORTS



ACROSS
1 Duration
5 Landed
9 Hardwood tree
12 First man
13 Spikes of a circle
15 Bar order
17 Oscar winner
19 Soap opera
20 Daub
21 Found
23 Despot
25 Exist
26 Relating to
29 One-tenth
31 Part of a mit.
34 Seed covering
35 Reseach
37 Wall Street
38 Term
39 Fonda's co-star
42 Piano exercise
43 Yield
44 Pulled
45 Since, in
46 Barrel-bottom
48 Takes sap
50 Friend, in Paul
51 Ending for old
52 Star-shaped figure
57 Marner's creator
61 Bad
62 "I Am Woman" composer-singer
64 Brain tissue
65 Add up
66 Mud puddle
67 Thing, to Belli
68 Distribute
69 Withered
DOWN
1 — and feathers
2 The same, to
3 Constructed
4 Fortified
5 Garfunkel
6 Subsequently
7 Words exchanged at a wedding
8 Color slightly
9 White poplar
10 Half: Prefix
11 Garment borders
14 Newton or Stern
16 Cheer
18 — Major
22 Take with one
24 Femines, e.g.
26 Asphalting a road
27 Speak pompously
28 Cranial cavity
29 Defies
30 Gazed upon
31 Extra tire
32 Like chalets
33 Worker gangs
36 Running contest
38 Out of sequence
40 Ala. city
41 Liability
47 Figure in skating
49 Sly look
50 Book of maps
51 Sniff
52 Favorite
53 Always
54 World's longest river
55 Peruse
56 Different: Comb. form
58 Inactive
59 Aroma
60 Sort
63 U.S. humorist

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"DO YOU HAVE ANY NAUGHTY PINE?"

JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.
LYRDY
CHABT
ZILZES
POLUCE
Answer here: A

WEATHER

Table with columns for EUROPE, MIDDLE EAST, OCEANIA, ASIA, and AMERICA. It lists various cities and their weather conditions.

MONDAY'S FORECAST - CHANNEL: Slightly rough to rough. FRANKFURT: Cloudy. Tientsin: Partly cloudy. MADRID: Partly cloudy. NEW YORK: Partly cloudy. SINGAPORE: Partly cloudy. TOKYO: Partly cloudy.

SPORTS BRIEFS

Chang Retains WBC Light Flyweight Title

TAEJON, South Korea (AP) — Chang Jung-ko of South Korea recovered from a first-round knockdown to retain his World Boxing Council light flyweight title Sunday with a unanimous decision over Isidro Perez of Mexico.

Joyner Gets a Second Straight Owens Award

HONOLULU (UPI) — Jackie Joyner-Kersey on Saturday became the first athlete to win track and field's highest honor, the Jesse Owens Memorial Award, for a second time.

Quotable

Mike Murphy, on being fired as coach of the Los Angeles Kings of the NHL: "You know when it really hits home? When your kids say to you, 'Does this mean we don't get any more free tickets?'"

VANTAGE POINT/Ira Berkow

O Sport! O Love! Oh, Those Billets-Doux

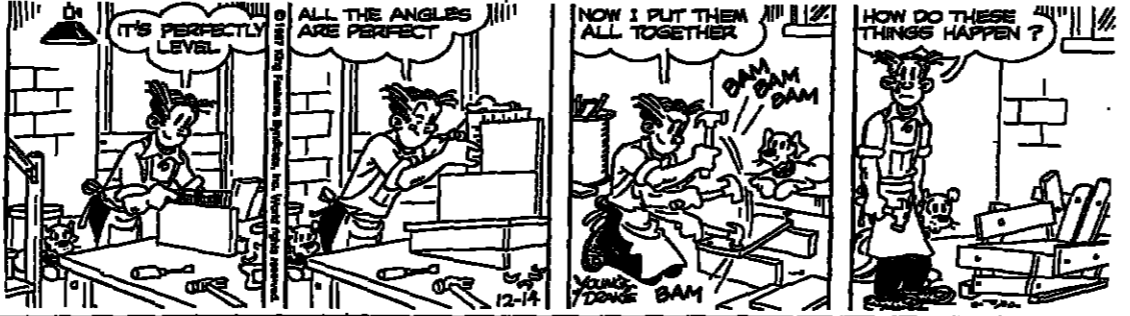
NEW YORK — "The blatant sexism of Ira Berkow's column on Chris Evert — 'Too Much in Love' — left me sputtering. 'What! I don't believe this!'"

Yet the reader raises again a significant question: Does love in sports truly exist, and if so, to what extent? In a short story written many years ago on this very subject, 'A Woman Is Only a Woman,' by P.G. Wodehouse, a character called the Oldest Member of the Golf Club addressed the issue.

PEANUTS



BLONDIE



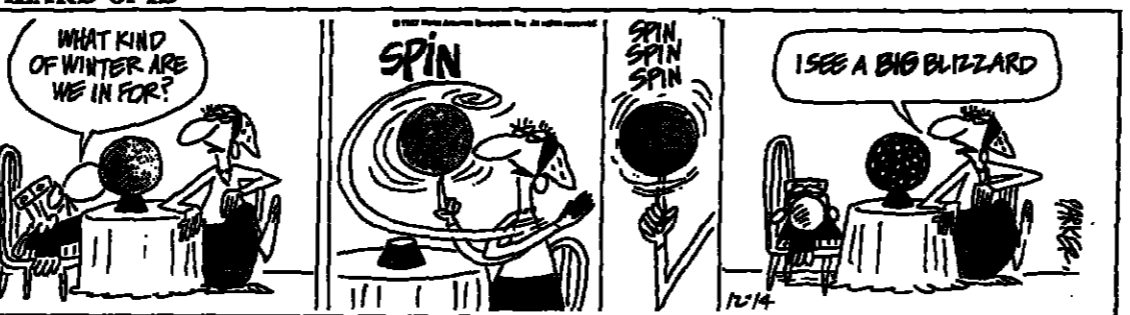
BEEBLE BAILEY



ANDY CAPP



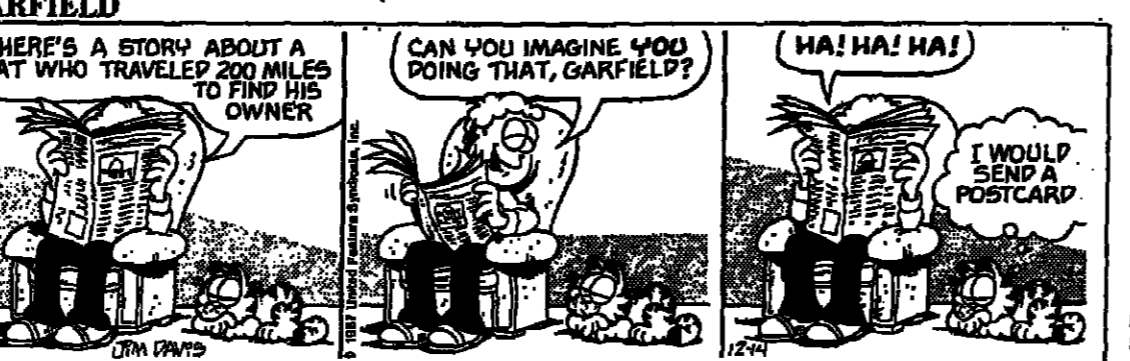
WIZARD OF ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Amsterdam prices marked time last week, as a modest recovery during the first four days almost wiped out on Friday a reaction to worse-than-expected U.S. trade figures for October.

Frankfurt

An incipient recovery on Wall Street did not help the West German stock market much last week, as prices rose by an average of only 2 percent.

Hong Kong

Share prices in Hong Kong seasawed throughout the week, but losses on Monday and at week's end pushed the key Hang Seng index to close Friday down 4.64 points, at 1,989.58.

London

London equities gained last week in general, but quiet trading.

Milan

Milan stocks fell an average of 4.21 percent last week, with the exchange index falling back to 682 points, in four days of thin trading.

The CAC stock index finished the week lower at 270.3 from 278.3 the previous Friday, the lowest finish since Jan. 2, 1986.

Singapore

Share prices dropped on the Singapore stock market last week, with the Straits Times Industrial Index finishing the week at a 16-month low of 724.02, an overall fall of 10.96 points.

Tokyo

Share prices posted a substantial gain on the Tokyo Stock Exchange last week in extremely volatile trading, despite the U.S. dollar's fall to a postwar low.

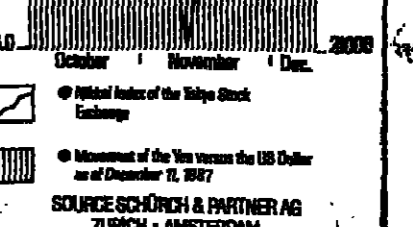
Zurich

Zurich stock prices ended the week slightly lower, as a Friday drop of around 2 percent wiped out the previous three days' gains.

Market participants said prices had stood up well to news of the huge U.S. October trade deficit and the resulting dollar drop. They said price trends during the next few days would depend on the dollar's movements.

Banks dipped, such as Union Bank of Switzerland, down 30 Swiss francs to 3,120 from the previous week. Financial companies and industrialists also dropped.

Paris stock prices resisted the news about the U.S. trade deficit last week better than many market participants had expected, as analysts said the market had been helped by government measures to encourage savings.



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SPORTS

Rockets Send Sampson to Warriors In Exchange for Carroll, Guard Floyd

HOUSTON Forward-center Ralph Sampson, who with Alton Ojajärvi had formed the imposing "Twin Towers" of the National Basketball Association's Houston Rockets, was traded Saturday night with guard Steve Harris to the Golden State Warriors for guard Eric (Sleepy) Floyd and center Joe Barry Carroll.



Ralph Sampson should continue to inspire a show of hands.

Bills Rout Colts, Dolphins Win For 3-Way Tie in AFC's East

INDIANAPOLIS — Jim Kelly threw touchdown passes Sunday afternoon to Ronnie Harmon and 8 yards to Trumaine Johnson as the Buffalo Bills beat the Colts, 27-3, to move into a first-place tie with Indianapolis and Miami in the American Conference's East Division of the National Football League.

SCOREBOARD

Basketball

NBA Standings table with columns for Eastern Conference and Western Conference, listing teams like Boston, Philadelphia, and Detroit with their records.

European Soccer

World Cup Draw

World Cup draw results table showing group assignments for teams like Argentina, Brazil, and Mexico.

Hockey

NHL Standings

NHL Standings table with columns for Wales Conference and Patrick Division, listing teams like N.Y. Islanders and New Jersey.

U.S. College Results

FRIDAY'S SCORES

U.S. College Results table listing scores for various sports like basketball, football, and tennis across different divisions.

World Cup Skiing

INTERNATIONAL FRIENDLY

World Cup Skiing table listing results for various events like Downhill, Slalom, and Giant Slalom.

World Cup Skiing

OVERALL STANDINGS

World Cup Skiing Overall Standings table listing top performers like Alberto Tomba and Pirmin Zurbriggen.

Tennis

Masters Doubles

Tennis Masters Doubles table listing winners and runners-up in various tournaments.

Tomba, Figini Again Ski to Victory, Widen Leads in World Cup Standings

VAL BADIA, Italy — Alberto Tomba of Italy took command of the World Cup men's ski slalom Sunday as he easily won a giant slalom for his third consecutive victory this season.



Alberto Tomba

Porto Nips Penarol, 2-1, in Soccer's Club Championship

Algerian international Rabah Madjer, above, scored on an 80-footer with 11 minutes left in overtime to give European titlist Porto a 2-1 victory over Penarol of Uruguay in Sunday's world club soccer to championship match in cold and snowy Tokyo.



Rabah Madjer

Football

U.S. College Results

U.S. College Results table listing scores for various sports like basketball, football, and tennis.

Results

ENGLISH FIRST DIVISION

English First Division table listing results for teams like Coventry City and Nottingham Forest.

Transition

BASEBALL

Baseball Transition table listing results for teams like the New York Yankees and Boston Red Sox.

Transition

BASEBALL

Baseball Transition table listing results for teams like the New York Yankees and Boston Red Sox.

